教育学院 "特别的",对中国的

World News **Kohl hails** unification talks with

Gorbachev

The Soviet Union has given the Governments of East and West Germany a free hand to decide on the timing, princi-ples and form of an eventual unification of the two countries amid signs that the pro-cess towards unification is

Chancellor Helmut Kohl of West Germany returned to Bonn yesterday after what he called "an historic day" of talks in Moscow with President Mikhail Gorbechev, the Soviet leader, saying: "The way to reunification is free." Page 20

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Chirac wine vote Potential mutiny in France's.

conservative Gaullist party, the Rassemblement Pour le République (RPR), was narrowly averted when Jacques Chirac, the RPR's leader, won what amounted to a vote of confidence by barrely two points. Page 4

US-Soviet talks

US-Soviet trade talks due to open today in Washington, give concrete foundation to President Bush's oft-expre desire to "to see perestrolka succeed." Page 4

traq accused

Iraq continues to suppress ruthlessly any form of dissent according to a Human Rights Watch report. Page 3

Student unrest

decade light a Chinese students, under ever tighter state control since leading last year's democracy movement, expressed dismay at rules preventing them from studying abroad. Page 3

Japan LDP ahead Japan's ruling Liberal Democraite Party seems to be gain-ing the upper hand with less than a week to go in Japan's lackbustre general election campaign. Page 3

Likud revolt

Revolt by hardliners in leaser's Likud Party is set to come to a head at a confrontation which Mr Yitzhak Shamir, the Prime Minister, must win if moves towards Israeli-Pale ian peace talks are to remain on course. Page 3

Perth leaders resign Western Australia's Premier Mr Peter Dowding and Deputy Premier Mr David Parker, announced their resignations in a move to boost the Australian Labor party's chances at the federal election. Page 3

French air strike French pilots and flight technicians, in a 48-hour strike, forced Air France to cancel Charles de Gaulle airport and

Orly. Page 4 **Victory for Greens** Poland's tiny Green Party defeated Solidarity in Krakow when Jerzy Rosciszewski, a 56-year-old farmer, became the first Green mayor of an East

European city. **Kashmir shootings** Indian troops killed at least six protesters trying to cross a military control line in disputed Kashmir, said Premier Sikandar Hayat of Pakistan

Hostages exchanged Rival political groups in Kara-chi, Pakistani, exchanged 18 kidnapped activists from the ruling Pakistan People's Party (PPP) for nine from the Moh jir National Movement (MQM) after two days of army-bro-kered talks.

Rally in Holdavia

At least 50,000 people massed in Kishinev, Moldavian capital, to appland speakers of the Communist Party and a radical opposition group demanding greater autonomy. Party lead-ers onsted, Page 20

Pope truce appeal Pope John Paul appealed for a truce in the civil war in southern Sudan to allow relief supplies to reach Juba, besieged by the rebel Sudan People's Liberation Army.

Six killed in Salvador At least six people were killed when El Salvador Air Force helicopter gunships and warplanes bombed the Corral de Piedra resettlement site for former refugees, witnesses

Alpine bus crash

winter.

A THE STATE OF

Three Italians and one Swiss passenger were killed when the bus they were on plunged 50 metres down a Swiss ravine in a blizzard near the border

Business Summary Chinese industrial output falls

CHINA announced its biggest drop in industrial production for a decade, as evidence mounts that the country's economic austerity programme is pushing key sectors of the economy into recession. Recent figures show that the rabue of industrial output plunged 6.1 per cent to Yuan 127.8bn (\$28bn) compared with

6% to \$28bn

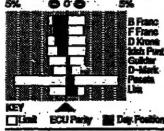
EUROPEAN Monetary System EMS cross rates ended steady after a week dominated by discussion of German unity and apeculation over a possible interest rate rise by the Bund-esbank. The D-Mark, in spite of its strength against the Dol-lar, did not cause problems within the system. The Lira ended close to its cross rates limit against weaker curren-

a year earlier. Page 20

February 9, 1990



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The chart shows the constraints on EMS exchange rates. The super grid, based on the system's weakest currency, defines the cross-rates from which only the peseis may more by more than N₄ per cent. The lower chart gives surrancles diser-gence from the central rate ist the European Clarency.

EUROPKAN Commission's plans to bring corporate taxa-tion into line are expected to be given fresh impetus by Mrs Christiane Scrivener, EC commissioner in charge of taxation. Page 4 .

UK sales volumes were especially buoyant in January, in spite of pessimism among retailers, according to a Con-federation of British Industry) Financial Times distributive

trades survey. Page 6 RRPTINH Nuclear Puels has begun talks with union leaders on the feasibility of introducing a 35-hour week for all. 15,600 employees, including manual workers. Page 5

MEXICO'S prices rose by 4.8 per cent in January, or nearly a third of the Government's is.3 per cent projection for inflation for the whole year, according to Bank of Mexico

figures. Page 3 PEKING'S hard line political leadership has given five spe-cial economic zones in southern China the go shead to continue with their capitalist-style economic develop-

DUBATS International Development Corp has signed a joint ture agreement with Iran for the construction of \$1.35km (£800m) aluminium smelter at the Southern Iranian port of Bandar Abbas, Page 3

US Savings and Loans: Rescue of \$166bn industry has run into problems after resignation of a key official amid complaints of administration infighting

and growing losses. Page 3 MATRA, French defence, telecommunications and transport group, announced net consoli-dated profits up nearly 75 per-cent in 1989 on turnover up 124 per cent. Page 23

GUIDELINES introduced by US bank regulators to allow them to track lending to heavily-indebted companies have brought strong protests from American banks. Page 22

ARAB Banking Corporation is to become the first Guifsed group to offer shares

to foreign investors. Page 23 FIAT'S construction machinery division completed the acquisition of Benati; Italian equipment maker. Page 23 COMPAGNIE Bancaire, French

financial services group, made net profits of FFr1.09bn (\$192.5m) last year, 4.5 per cent higher than in 1988. Page 23 WHIRLPOOL, US domestic . appliances manufacturer, is to sell its vacuum cleaner subsidiary. Page 23

Mandela vows to fight on

MR NBLSON MANDELA yesterday ended 27 years of imprisonment with a fervent reaffirmation of the principles of the African National Congress, including the armed struggle, and urged the outside world not to relax economic sanctions against South Africa. Addressing a rally of tens of Addressing a rally of tens of thousands of supporters in Cape Town five hours after his release, the 71-year-old ANC leader also urged the outside world not to relax economic sanctions against South Africa.

Mr Mandels called on the international community to international community to continue its policy of isolating the Pretoria Government, a call which will dismay Mrs Margaret Thatcher, the British Prime Minister, in particular, for she believes that the recent reforms introduced by Mr de

Klerk should be rewarded by the selective easing rather than tightening of sanctions. He stressed that President F. W. de Klerk had yet to meet all the preconditions to constitu-tional talks with black South

He opened his first public address for more than three decades with the words: "I greet you all in the name of peace, democracy and freedom for all."

In a decignation certain to dismay South African whites, and in particular raise tension among the ranks of right-wing extremists, Mr Mandela said: The factors which necessitated the armed struggle still exists today. We have no option but to continue." However, Mr Mandela did

suspension of violence. "We express the bope that a climate conducive to a negotiated set-tlement will be created soon so that there will be no longer the need for an armed struggle," he said.

Mr Mandela's threat to sustain the guarrilla war is seen as more rhetorical than real. There has been a de facto suspension of violence for several months, and recently a senior ANC official acknowledged that the organisation did not have the capacity to "intensify" the war even if it wanted

His remarks will nevertheless dismay President de Klerk, who must have been hoping for a more conciliatory stance from his erstwhile prisoner. Mr Mandela, looking well despite his prison ordeal, told the crowd: We are still suffering under the policies of a National Party government."
To enthusiastic roars of

amandla - power - the ANC leader told the crowd: "Our march to freedom cannot be stopped. We can no longer wait. Now is the time for intensifying the struggle on all fronts."

Speaking with a vigour that belied his age, he told the rally: "There must be an end to white domination and a funda-mental restructuring of our political and economic sys-

He has recently alarmed the South African business community with his renewed commitment to nationalise the industries, but he did not elab-



'The factors which necessitated the armed struggle still exist...We have no option but to continue"

"I greet you all in the name of peace, democracy and freedom for all"

Bush praises 'bold leadership' by de Klerk

By Peter Riddell in Washington and Michael Caseell and Maggie Urry in London

US President George Bush tions against South Africa, sayyesterday praised South ing South Africa now needed
Africa's President F.W. de the practical encouragement of
the international community
tive leadership as Mr Nelson
Mandela was released from
She had been due to make a

Mr Bush said the decision to release Mr Mandela had "earned the admiration of many of us who hope for swift and peaceful evolution in South Africa."

Many other world leaders welcomed the South African government's decision. Compa-nies, however, adopted a cautious attitude to immediate

investment prospects.

Mrs Margaret Thatcher on
Saturday warmly welcomed
news of the impending release
and lifted some minor sanc-

further statement in Downing Street last night, but cancelled these plans at the last minute immediately after Mr Mande-la's address in Cape Town. A spokesman said she did not think she had anything to add. Britain's voluntary ban on new investment in South

Africa has been ended, and the Government will encourage, scientific, academic and cultural contacts. Britain is to seek a review by EC and Commonwealth gov-

ernments of the continuing imposition and impact of sanc-

Page 18: Future for South Africa

On Other Pages

Page 2: Right-wing threat Sanctions Business reaction

 Black parties tions against South Africa. Mrs Thatcher has written to Euro-pean and Commonwealth lead-

ers asking them to consider taking a "more positive" approach in encouraging the end of apartheid. The move, which is likely to

meet with firm resistance from opponents of any premature lifting of economic pressure on South Africa, has been put on the sgends for a meeting of EC foreign ministers in Dublin on February 2h.

Mr Bush repeated his invitation to meet separately in Machineton with President de

Klerk and Mr Mandela "in the coming months as part of my continuing dialogue with the South African leadership."

The US administration regards such encouragement as the appropriate first stage in a step-by-step dialogue with South African leaders to support negotiations. It is likely to move cautiously over early relaxation of US sanctions against South Africa, waiting to see how negotiations

British companies said the

release was a step in the right direction, but of itself did not change anything. They did not expect to change investment plans. However, there are hopes that further political thence in the country could help expand the South African economy. That might increase trade with the country, depending on whether sanctions are eased.

ICI, the chemicals group, said Mr Mandela's release alone did not make the country a more attractive place to invest. Barclays Bank, which sold its business in South Africa in 1987, said it was not planning to return there.

Shots mar celebration at rally in city centre

By Michael Holman, Patti Waldmeir and Jim Jones

THE shots rang out against a picture postcard scene of blue akies, majestic Table Mountain and Cape Town's ornate Victorian City Hall garlanded with the black, green and gold ban-ner of the African National Congress (ANC). Nelson Mandela's first pub-lic rally was off to a dreadful

People heard shotgun fire, police helicopters criss-cross-ing the sky, wailing ambu-lances, barking police dogs, and chanting black youths, pounding their feet and issuing angry challenges.

The centre of the city was a hattlefield.

The route into Cape Town had been lined with tens of thousands of people, black and white, some crying with emo-tion, who teemed on to the road and slowed the speed of the convoy. Throughout South

Africa millions celebrated. By the time the ANC lea finally arrived son after the promised start sec-tions of the massive crowd had times been forced to throw themselves on the ground to avoid stray police buckshot, aimed at looters who had smashed shop windows bordering the Grand

An anguished onlooker pointed angrily towards the balcony of the hall where Mr Mandela had yet to appear. "They are to blame. They've come too late. People have got frustrated."

"It's not safe here," one young man muttered hurriedly in passing, staunching the blood which flowed from buckshot wounds to his face and

It was a sad commentary on what ought to have been a major celebration.

Soweto's crowds concentrated near the Mandela home and at the Jabulani stadium. But for the rest, this sprawling township went about its nor mal Sunday business. In more important than any

However, on the East Rand tens of thousands exploded onto township streets after watching the release on televi-

In Katlebong, near Germis-ton, an estimated 250,000 people thronged the streets as township residents were joined by about 20,000 from Continued on Page 20

Perrier production halted as 72m bottles recalled in US

By Alan Friedman in New York

PRODUCTION of Perrier, the French mineral water, has been halted and North American sales stopped because of suspected contamination.

Perrier Group of America, Perrier's American importer, announcing the halt to produc-tion at the weekend, said it would recall 72m bottles from US stores and restaurants.

The scare arose after public health officials in North Carolina detected traces of the can-

cercausing beazene, a colour-less, flammable chemical used in the production of paint. The US stoppage of Perrier sales will last two to three months and cost the company around \$40m in lost sales, according to Mr Ronald Davis, president of Perrier Group of

US sales of Percier's regular and flavoured waters are \$160m a year. Mr Davis said on Saturday that the search for the cause of the "chemical intrusion" is focusing on distri-bution and on packaging of the

product at Perrier's plant in Vergeze, France. The Perrier chief said the inated water is not considered an immediate health hazard by the US Food and Drug Administration (FDA) and said the production halt and US recall means we're acting aggressively and respon-sibly in the interests of the public".

Mr Davis said the cause of the contamination, which showed up in bottles produced at Vergeze between June 1989 and last month, appeared to be "human error". He described it as "a very freak accident". Tests of Perrier bottles in North Carolina and Georgia found the benzene level to be

12.3 to 19.9 parts per billion, well above the FDA's permissible limit of five units per hil-lion of water. An FDA official nonetheless said that "if you consumed about 16 fluid ounces a day, your life-time risk of cancer might increase by one in a million*.

The benzene quotient thus appears to pose greater dan-gers in terms of Perrier's is no small threat given that the international success of the chic green-bottled water is based on marketing.

It is too early to say whether Perrier's worldwide sales will be affected by the US scare and production halt in France. The company's global 1988 sales were \$2.6 bn and estimates for 1989 suggest revenues of around \$3 bn.
The reaction across America
was swift, with maitre d'hotels

joining supermarket managers in packing up the bottles and promoting the likes of Evian, Saratoga, Levissima and San Pellegrino mineral waters

Cocktail and dinner parties from Manhattan to Beverly Hills were reportedly ruined by the development and this week will see countless "power lunches" deprived of their trademark drink.

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CONTENTS THE MONDAY INTERVIEW



Companies

World Guide __

A merger that tragically went awry touched off a highly public, month-long battie that divided the board at Banco Bilbao Vizcaya, Spain's big-gest bank. The bank's new president, Emilio Ybarra (left), explains how he will go about healing the rift.

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ANC leader steps off hero's pedestal into political maelstrom

SO LONG as Mr Nelson Mandela symbolised nothing more nor less than the noblest of struggles against apartheid, he was a strong unifying influence within the anti-apartheid coalition.

As a symbol of black libera-tion, he bridged the gaps and healed the divisions; as a politi-cian of altogether more human dimensions. Mr. More human dimensions, Mr Mandela may find the unifying task very difficult to achieve.

Already, the process of trans-forming the man from martyr into politician has begun. And as his political role has grown, so have fears among black radicals that the 71-year-old Mr Mandela will, through conservatism or age, settle for too little, too soon.

Black suspicions focus on negotiations aiready held between Mr Mandela and the Government, which have involved numerous meetings with ministers and with two South African pres P. W. Botha, who shocked the country by entertaining Mr Mandela to tea last July, only weeks before he resigned as president; and more recently, the serving President, Mr F.W.

de Klerk. Mr Mandela appears to have set his own agenda in the talks, referring positions to the ANC for approval only after

He has argued that the diffi-culties of prison life prevented fuller consultation with his colleagues; but he may in fact have welcomed the opportu-nity to pursue an independent line, free of the ideological straitjacket which has long constrained the ANC.

The political reforms announced on February 2 were the result of those negotia-tions. They were the most radi-cal introduced by an Afrikaner government in over 40 years, and included legalisation of the ANC and other political groups, freedom for some political prisoners, and lifting of restrictions on anti-apartheid

activists and organisations. The reforms provoked a wide range of responses from the anti-apartheid opposition, from unashamed delight to outright rejection. Archbishop Desmond Tutu, the veteran anti-apartheid activist, said the measures took his breath away, while the Pan Africanist Congress (PAC), the second largest liberation movement, dismissed them as "irrelevant and mean-

ingless".

The Congress of South African Trade Unions (Cosatu), a leading force in the anti-apartent of the moyes heid movement, said the moves fell far short of expectations. At the same time the United Democratic Front, an umbrella organisation to which Cosatu



Black politics

is affiliated, welcomed the boldness of the moves and said it would study them further before responding definitively. Even the ANC itself spoke with many voices on the issue. with some more moderate members raising hopes of early talks with Pretoria while others ruled talks out altogether. This divergence of views left little doubt that strains within

the anti-apartheid coalition were beginning to tell.

It was inevitable that they would do: for under the broad banner of opposition to apart heid march groups with widely differing interests, aims and

The MDM, the largest internal movement, brings together hundreds of organisations from church and women's groups to trade unions and radical youth groups, uniting people of all colours, ages and races. But the MDM_has no formal

structure or officers - this was thought to be the best way to protect it from Pretoria's

THE ROAD TO FREEDOM

18 July 1918: Nelson Rolihlahla Mandela born at Qunu, near Umtata, now in the Transkei homeland. 1940: Expelled from Fort Hare College in the Ciskei for supporting a student boycott.

1942: Mandela moves in with Walter Sisulu (recently. released after 25 years in prison), who hires him at £2 a month at his estate agency; he enrols at Witwatersrand University faculty of law, and joins the ANC.

1944: Mandela marries Eveline, Sisulu's cousin Mandela, Oliver Tambo and Walter Sisulu found ANC

1952; Mandela helps organise "defiance campaign" of peaceful protest. Arrested and serves his first, brief, term of imprisonment; banned by Government. 1953: Sets up the country's first African legal partnership, with Oliver Tambo.

1955: Congress of the People convened in Kliptown, adopts the freedom charter. Mandela separates from his first wife, meets Winnie Madikizela. 1958: Mandela marries Winnie. Pan Africanist Con-

gress splits from ANC, under Robert Sobukwe 1960: Police kill 69 in Sharpeville. State of emergency; ANC and PAC are banned. 1961: Helps set up Umkhonto we Sizwe (Spear of the

Nation), the ANC military wing.

1963: Police raid Lilliesleaf farm in the Johannes burg suburb of Rivonia, and arrest ANC leaders. Mandela and other leaders brought to trial for attempting

to overthrow the state. 1964: Mandela and most other co-accused found guilty and sentenced to life imprisonment. 1976: Soweto uprising. 1977: Steve Biko, black consciousness leader, dies in

police custody. 1988: Mandela suffers from tuberculosis; moved to Constantiaberg Clinic, Cape Town.

1988: Mandela moved to a prison warder's bungalow at Victor Verster Prison, near Paarl. 11 February 1990: Mandela released from prison.

former policy of detentions and repression – and no single policy on just about any issue except the destruction of spartheid. Last December's antiapartheid conference in Johannesburg - the largest held in South Africa - Illustrated the

lack of unity.

Two of the largest black groups — the Zulu political movement inkatha, headed by Chief Mangosutku Buthelezi,

development. But they are also wary of the ANC's continued

The release is a key to unlock the economy says Mr Clem Sunter, a director of the

Anglo American mining group.
"We must not underestimate

the new spirit in South Africa

alisation and socialism.

and the radical Pan Africanist Movement (internal wing of the PAC) — refused even to attend. And a third group which did attend, the Black Consciousness Movement, later ence resolutions.

But Inkatha, which claims a membership of L5m, cannot be ignored. Chief Buthelezi, Inka-tha's leader, is despised as a collaborator by much of the

exiled leadership of the ANC, but Lusaka snubs him at its

Chief Buthelezi has long sought a reconciliation with the ANC and Mr Mandela has repeatedly demonstrated his villingness. Despite Mr Mande-la's efforts – he wrote to Chief Buthelezi last year to plead for peace – vidence continues in Natal between Inkatha and three groups allied to the ANC: the MDM, UDF and Cosatu. Peace talks to end the violence, which has left over 2,500 people dead in the past three years, are now suspended. Cosatu itself, though it

Cosatu itself, though it pledges allegiance to the ANC, will be looking out for its vested interests too, now Mr Mandela is free. Indeed, the leading figure in the union federation, Mr Cyril Ramaphosa, general secretary of the National Union of Minework. ers, has made it clear that Mr Mandela's leadership is not

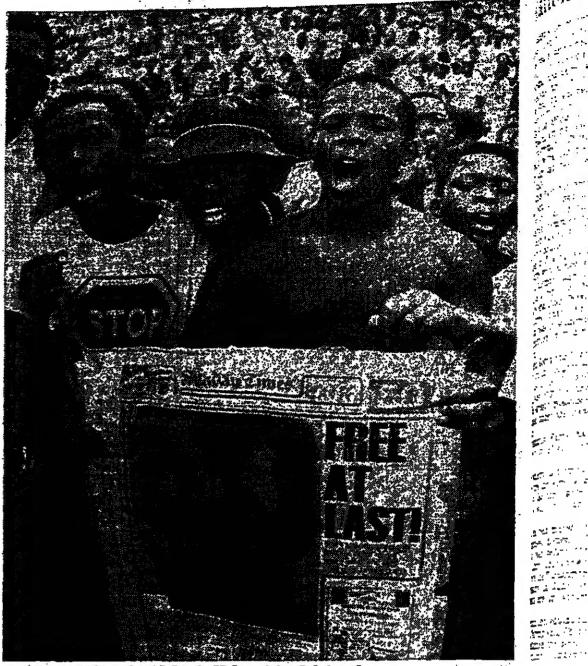
unquestioned. He said in a recent interview that the released leader's sta-tus "is no different from the tis 'is no different from the status of any other member of the ANC", acknowledging only that he "may have to be considered for a leadership position in the ANC".

The South African Communication of the south African Communication in the ANC".

nist Party (SACP) which com-mands a strong following within the top ranks of the anti-apartheid movement, could also prove a source of friction. So far, it has made common cause with the broad anti-apartheld coalition but, at some point, its goals must dif-

Delivering the whole of the anti-apartheid constituency to anti-aparthent consumency to the negotiating table will prove extremely difficult. Somehow, Mr Mandela must steer a course between the capitalism of Chief Buthelezi, the social-ism of most of the anti-apart-heid reconstruct and the Statisheid movement and the Stalinism of parts of the union movement. Yet, at the moment, the divisions seem

Companies mix high hopes with deep-seated fears



Residents of Soweto celebrate Nelson Mandela's release

De Klerk braced for angry backlash from extreme right

AS Mr F.W. de Klerk carries his country inexorably towards black majority rule, he will not have forgotten that one third of the South African electorate voted for ultra-right wing parties in the last general elec-tions, and that the same radical right parties dominate the security forces, whose support is crucial to ensure a peaceful transition to democracy.

Within hours of Mr de

Klerk's announcement on Saturday that Mr Mandela would be released the next day, sup-porters of the far right held the first of what are expected to be a series of passionate demonstrations against what they see as the "sell-out" of white South Africa. Mr de Klerk and his party are well aware of this threat.

Within three months of the September 6 elections, Mr de Klerk had already moved to neutralise the right-wing threat from the security forces, by dismantling the National Security Management system a network of military, police and intelligence officers who effectively ruled black townships — and downgrading the State Security Council, which took most important decisions under his predecessor, Mr P.W. Botha.

The coming days and weeks will prove a severe test of Mr de Klerk's strategy.
The far-right Conservative Party (CP) and the smaller but even more exireme Afrikaner Weerstandsbeweging (AWB) are disproportionately repre-

These two parties have reacted to recent developments

sented in the police and the



White

the ranks of the security ser-vices, as well as civilian backers who are as likely as not to keep weapons at home, will curb their anger as they watch Mr Mandela make his triumphal tour of the country's main cities with the black, green and gold banner of the ANC unfurled above him.

There is also a practical problem of a different nature. The South African security services are not accustomed to handling crowds without recourse to their traditional

recourse to their traditional weapons: whips, truncheons, dogs, teargas and birdshot.

Even if they have taken Mr de Klerk's comments to heart, they may well find it difficult to put them into practice. Mr de Klerk also faces a possible constitutional hurdle in the constitutional hurdle in the months ahead.

committed themselves to some form of test of white opinion either a general election or, which is much more likely, a



Business reaction

the social harmony needed to get the economy back on track." But once the jubilation dies down, Mr Sunter adds, South Africa still has to face hard economic facts. There remains the problem of how to narrow the gap between black and white incomes, which he believes

vention. The bottom line for businessmen is that South Africa could soon be restored to its former position among top trading nations with sanctions barriers tumbling and

restored access to foreign capi-tal, he says. However, Mr Meyer Kahn, the head of South African Breweries, cautions that nationalisation or talk of hit coal exports for almost five nationalisation could quickly years. He expects European kill South Africa's chances of attracting foreign capital.
Mr Barry Swart, the chief executive of First National,

expects European bankers to lead the way in extending new loans or rolling over existing ones. But he remains cautions about US bankers' attitudes, fearing their demands that loans be repaid will persist. Mr Michael Hawarden, chief executive of the Tavistock coal

company, hopes Mr Mandela's release will lead to a relaxation of trade sanctions which have years. He expects European countries to ranove barriers to South African coal, though be cautions that this is unlikely to

South Africa remains the

try in determining export coal prices worldwide and sanctions have forced its colliery compa-nies to cut prices to maintain market share. That pressure on prices could soon vanish, another coal trader says.

Coal and metals exporters

most influential trading coun-

are optimistic, but stockbrokers are wary of predicting the level of foreign interest in many local shares. Mr William Bowler of Fergusson Brothers expects renewed foreign inves-tor interest in gold shares, as South African golds are chean relative to Canadian or Austra-

and economic systems to

ensure that the inequalities of apartheid are addressed and our society thoroughly demo-

Mr Mandela said that Presi-

dent F.W. de Klerk was "a man

of integrity who is acutely aware of the dangers of a pub-lic figure not honouring his

undertakings. But... the real-

ity is that we are still suffering

under the policies of the Nationalist Government

"Our struggle has reached a decisive moment. Now is the time to intensity the struggle

mistic about other shares. Nevertheless Mr Mandela's release is already opening opportuni-ties for South African compe-nies outside their own country. Anglo American has been invited by the Mozambican Government to invest there and Mr Sunter sees improved export opportunities with South Africa's neighbours. He believes that as political considerations recede 'neigh-bouring countries will appreci-ate the skills South Africa's larger corporations can provide and they will look increasingly towards the south for technical

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'Freedom is an ideal for which I am prepared to die'

MR Nelson Mandela began his address to yesterday's Cape Town rally with a series of "salutes" which included an acknowledgement of the South African Communist Party's "sterling contribution to the struggle for democracy", sin-gling out for special mention. Mr Joe Slovo, the party's Gen-eral Secretary and "one of our finest retaining." finest patriots".

Mr Mandeia told the crowd that apartheid "has to be ended by our own decisive

He and his ministers have mass action in order to build peace and security. The mass campaigns of defiance and other actions of our organisa-tions and people can only cul-minate in the establishment of Although this election need

not take place before 1994 — by which time Mr de Klerk hopes that the benefits of an accommodation with black demands will be apparent to the electorantee that the National Party can win, even with the support which won nearly a quarter of the white votes at last September's general election.



the ANC, Umkhonto we Sizwe, was a purely defensive action against the violence of apart-

The factors which necessitated the armed struggle still exists today. We have no option but to continue.

We express the hope that a climate conductive to a negoti-ated settlement would be cre-ated so that there may no longer be the need for the armed

democracy.
"The apartheid destruction struggle."

Mr Mandela turned to the issue of the leadership of the ANC, whose president, Mr Oilver Tambo, is recovering from a stroke: "On the question of democratic practice I feel duty bound to make the point that a leader of the movement is a on our sub-continent is incul-culable. The fabric of family life of millions of my people has been shattered...our econ-omy lies in ruins and our peo-ple are embroiled in political leader of the movement is a person who has been democrat-ically elected at a national con-"Our resort to the armed struggle in 1960 with the formation of the military wing of ference. This is a principle

which must be upheld without any exception.

Today I wish to report to you that my talks with the Government have been simed.

at normalising the political situation in the country. We have not as yet begun discussing the basic demands of our struggle.

I wish to stress that I myself had at no time entered into negotiations about the future of our country except to insist on a meeting between the ANC and the Govern-

Mr Mandela went on: "Mr de Klerk has gone further than any other Nationalist president in taking real steps to normalise the situation. However there are further steps as out-lined in the Harare Declaration that have to be met before negotiations on the basic demands of our people can

I reiterate our call for...the immediate ending of the state of emergency and the freeing of all, and not only some, polit-"Only such a normalised situation which allows for free political activity can allow us to consult our people in order to obtain a mandate. "Negotiations cannot take

place above the heads or behind the backs of our people. It is our belief that the future of our country can only be

'I stress I had at no time entered into negotiations about the future of our country'

determined by a hody which is democratically elected on a non-racial basis. "Negotiations on the disman-tling of apartheld will have to

address the overwhelming demands of our people for a democratic, non-racial, and unitary South Africa.
"There must be an end to white monopoly on political power and a fundamental restructuring of our political

"We call on our white com-patriots to join us in the shaping of a new South Africa. The dom movement is a political home for you too.

"We call on the international community to continue the campaign to isolate the apartheid regime. To lift sanctions now would be to run the risk of aborting the process towards the complete eradication of apartheid.

"Our march to freedom is irreversible. We must not allow

fear to stand in our way. Universal sufferage on a common voters' roll in a united, democratic and non-racial South Africa is the only way to peace and racial harmony. "In conclusion I wish to quote my own words during my trial in 1964. They are as

We call on our white compatriots to join us in the shaping of a new

South Africa."

true today as they were then: I have fought against white domination, and I have fought against black domination. I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunity. It is an ideal which I hope to live for and to achieve. But if needs be, it is an ideal for which I am pre-pared to die."

Shift towards new constitution vital for full repeal of sanctions

By Michael Holman

THE RELEASE of Mr Nelson Mandela is certain to prompt a searching review of economic sanctions against South Africa, a process already set in train by the package of reforms announced by President F.W. de Klerk 10 days ago.

Mrs Margaret Thatcher, the British Prime Minister, has already responded, lifting a voluntary ban on new investment in South Africa, while last week the Dutch Parlia-ment agreed to postpone legis-lation which would have banned Dutch companies from new investment.

But British and US diplomats have cautioned South Africa against expecting a total repeal of sanctions before formal talks are underway, and before there is clear progress towards a new constitution.

The most damaging sanction South Africa has to cope with, however, comes not from the limited package of trade

embargoes imposed by the US, Europe and others. South African bankers and businessmen trace the most telling pressure to 1985, when a deflant speech by the then President, Mr P.W. Botha, triggered an external debt crists. Foreign lenders refused to roll



over loans, forcing South Africa to become a net exporter of capital.

The first formal review of sanctions comes next week, when recent developments in South Africa will be discussed at a European Community meeting in Dublin.

EC measures are contained in two packages.In September 1985 the Community agreed on:

• Rigorous control of the existing embargo on arms to and from South Africa; the recall of military attachés accredited to South Africa, and an end to accreditation of military attachés from South

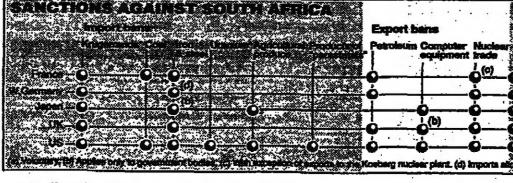
 Discouraging cultural and scientific agreements except where they contribute to the ending of apartheid. Cessation of oil exports.

Ban on exports of police and army equipment.

Ban on new collaboration in the nuclear sector. Further EC measures were agreed in September 1986:

Ban on imports of South

Africa iron and steel; gold coins; and a ban on new invest-A separate but overlapping set of measures was agreed by the Commonwealth in October 1985. This included: • Strict enforcement of the



Gleneagles agreement which called on Commonwealth members to discourage sporting links with South Africa. Ban on new Government

 Ban on import of gold coins.
 No funding for trade missions to South Africa.
 In August 1986, the list was extended to include a volum-

• Reaffirmation of the 1977 tary ban on new investment and on the promotion of tourism. EC measures were also

will be reviewed is the US Con-

An arms embargo, and a ban on Eximbank loans were already in place when former A further range of embar-goes has been adopted by other countries and blocs, such as President Ronald Reagan reluctantly agreed in 1985 to ban gold coin imports, all loans Scandinavia, but given the small level of trade that except for projects benefiting all races, and prohibited com-puter and nuclear technology existed the impact is slight. Outside the EC, the other main arena in which sanctions

But the most telling package

Comprehensive Anti-Apartheid Its main features include bans on the imports of uranium, coal, iron, steel, agricul-tural products, textiles, and products from state-owned organisations.

was introduced in August 1986,

when the US Senate passed the

links to South Africa. But unlike other sanctions

packages, it set out terms which if met would lead to the lifting of the bans, as well as threatening further action if they were not fulfilled.

These terms are:

• Repeal of the state of emergency.

• Release of Mr Nelson Mandela and other political prison-

• Lifting of bans on political An end to military activities against neighbouring states. • A timetable for the elimination of apartheid laws. Enter into negotiations on a new political system with all

racial groups.
US diplomats acknowledge that South Africa has either met or is moving towards, meeting these conditions.

President Bush is already It also ended direct air reviewing progress.

OVERSEAS NEWS

Chinese students regulations

aruary u

CHINESE students, under ever tighter state control since leading last year's democracy movement, yesterday expressed dismay and anger at new regulations preventing them from studying abroad, Reuter reports from Peking.

According to an official document circulating among institutes and government offices, Chinese must work for five years before they can leave the

country to study. The new rules have not been announced publicly, but on Saturday an official in the state education commission confirmed their existence. He declined to give details. Diplomats in Peking said

the restrictions were aimed at stemming a haemorrhage of stemming a naemorrhage of talent, and as a reply to the United States and other West-ern countries that had extended the visas of students fearing persecution on return-ing to China.

"Soon North Korea and Viet-

"Soon North Korea and Viet-nam will be the only countries we will be able to visit," joked student who expects the passport he already possesses to be revoked under the new

"The Communist Party has nothing new to offer," he Another student said scornfully, "I'm sure the sons and daughters of the top cadres. will find a way to study

Reaction has been muted on Peking campuses, hotbeds of dissent last year before the bloody military crackdown which followed the Tlanaumen Square massacro in June, as many students are on winter vacation.

Only a month ago, education minister Li Tleying said China would not abandon the princi-ple of sending students

More than 80,000 have gone overseas on state sponsorship since China launched economic reforms in 1978, and 30,000 have returned so far, Li

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Thousands of Chinese have also paid for themselves to go abroad, many of them finding work on building sites and in sweatshops in Japan. Long visa queues outside

foreign embassies are an everyday sight in Peking, with applicants having to wait months for approval.

These new measures are a disaster for young accentists especially," commented a government official privately,

The rules are the latest in a

the communist party to reas-sert its authority over radical Vague rules announced or

Vague rules announced on Friday require students to take part in unspecified activities—most likely political education classes—and ban unauthorised publications.

O — A sudden leap in the number of known AIDS cases in China has forced the world's most populous country to switch its attention from foreigners to dirty needles and

foreigners to dirty needles and infected blood as causes of contamination. Chinese medical experts were quoted yesterday calling on the Government to set up blood monitoring groups and start testing all donors as soon

LDP looks set to dismayed by keep power in Japanese election

By lan Rodger in Tokyo

WITH less than a week to go in the Japanese general election campaign, the ruling Liberal Democratic Party (LDP) appears to be gaining the

upper hand.
Forecasts vary widely, with some predicting an easy victory for the LDP, others seeing the ruling party having to patch together a working majority with the help of inde-pendents and marginal parties

pendents and marginal parties after next Sunday's vote.

A telephone poll of 10,000 voters published by the Nihon Keizai Shimbun (Nikkei) Japan's leading business newspaper, on Friday, indicated that 34.1 per cent would vote for the LDP, 20.9 per cent for the Socialist JSP. Although this support level for the LDP seems fragile, it is roughly the same as that before the 1986 election, when the party won a landslide victory of 304 seats. Similarly, the level of undecided voters in the poll, 32.4 per cent, although high, is not unusual, according to Nikkei.

imusual, according to Nikkei. The hig question in the cam-paign has been whether voters, who deserted the LDP in droves in last summer's upper house elections, are still angry enough with the ruling party's corrupt ways and unpalatable legislative measures to defect

LDP leaders have been trying to create the impression that they are in trouble, apparently with a view to frightening conservative voters out of any thoughts they may have of making another protest vote. So far, as in past elections, tually no impression in the campaign, with the main bat-tles being fought among indi-viduals in the constituencies. On the ground, the old style of politics - in which money and personal contacts are the crucial factors - are still very much in evidence, although some new candidates, especially in cities, are trying gamely to break the mould,

gamely to break the mould, basing their appeal on image and policy statements. In this campaign, controversy has centred on the proposal by Miss Takako Doi, the leader of the Japan Socialist Party, the largest opposition force, to results takes on hyperselection. high commodity taxes on luxuries, including cars, in place of the much disliked three per

the much disliked three per cent consumption tax intro-duced by the LDP last year. LDP leaders have poured scorn over the proposal, know-ing it would be more unpopu-lar than the consumption tax, and even some JSP officials have distanced themselves have distanced themselves

One reason for the subdued quality of the campaign is that everyone knows that once it is over, regardless of the outcome, the politicians are going to have to come to terms with a more difficult parliamentary situation than they have faced for four decades.

The LDP, having lost its majority in the upper house in last summer's elections, will have to take greater account of the views of the opposition par-ties in the future.

W Australian leaders resign to boost Hawke

By Chris Sherwell in Sydney

THE Premier and Deputy Premier of Western Australia resterday armounced their resignations, in a dramatic move to boost the Australian Labor party's chances at the forth-coming federal election.

Mr Peter Dowding and Mr David Parker who have led the

David Parker, who have led the state Labor government since late 1987, acted after coming under intense pressure from the parliamentary caucus and the party's national leadership. The new premier is expected to be Dr Carmen Lawrence, 41, who would be the first woman in Australian history to ome a state leader. She won her seat only in 1986, but is untainted by the business scandals which have rocked

the Government. The federal election is due by mid-May, and Labor has grown worried that its haemorraging support in Western Australia will impair its chances of beating the opposition Liberal and National party coalition and win a record fourth term.

The main cause of the par-ty's unpopularity at state level is its costly involvement in abortive attempts to rescue Rothwells, the failed finance house. Although it unexpect-edly won re-election to the state government a year ago

was mounted in Perth while Mr Dowding was at the world economic forum in Davos, Switzerland. Mr Bob Hawke, the Prime Minister, who was visiting Perth, in effect gave it his blessing, and last night both Mr Dowding, who rushed home early, and Mr Parker

said they would resign at a caucus mesting today. Some of the Government's decisions had with hindsight been wrong, Mr Dowding said, and he was accepting responsi-bility in the interests of the Labor Party. His departure, he added, had been under consideration for some time

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the controversy lingered and Last week an internal coun

By Peter Riddell, US Editor, in Washington

THE \$166bn (£96bn) rescue of the US

savings and loan industry has run into serious problems, following the resignation of a key official amid complaints of administration inflighting, delays and

growing losses.

Late on Friday, Mr Daniel Kearney resigned after only four months as president and chief executive officer of the oversight board of the Resolution Trust Corporation (RTC), responsible for setting broad policy for the rescue, the largest in US financial history. He complained of having insufficient authority after disagreements with the Treasury over the day-to-day running of the operation.

Mr Kearney's departure has been seized upon both leading congressmen and leaders of the savings and loan

industry as symptomatic of wider problems with the rescue.

Congressman Henry Gonzalez, the Democratic chairman of the House Banking Committee, commented that "disarray and indecision are now publicly evident and this will do nothing but increase the cost of the bailout".

Since legislation was approved last summer, only 49 failed savings and loans, often known as thrifts, have been sold. A further 312 are under federal control and 200-300 more are expected to fail as tougher new capital standards are implemented.

The total cost of the rescue is now expected to be well over the \$166bn over

10 years previously estimated.

There are two reasons for these problems, a cumbersome structure, with 12 cies which industry experts argue dis-courage the purchase of ailing thrifts. As bead of the RTC oversight board, Mr Kearney was squeezed between the Treasury, setting policy, and the Federal Deposit Insurance Corporation,

agencies involved in decisions, and poli-

with day-to-day management responsi-bilities for running the RTC and the rescue but has lacked the ultimate decision-making authority. Congressional hearings have now been called in the hope of simplifying this structure.

One result has been a slow pace of deals with buyers of insolvent thrifts.

The bidding process has been criticised as too lengthy, with the RTC seeking unrealistically high prices for ailing institutions. Commercial banks are said to be uninterested in acquiring thrifts

already under federal control since they often do not present the opportunity for acquiring a viable branch network with many small depositors.

Mr Kenneth Guenther, executive vice president of the Independent Bankers Association, commented: "I think George Bush better watch out. The savings and loan problem is creeping closer and closer to his door again. Congress now can go on the offensive legiti-

mately." Similarly, Mr Fred Weber, president of the US League of Savings Associations, said his members were already concerned about the pace of the corporation's rescues. Corrections must be made quickly; "If not, the cost of case resolutions [rescues and closures] is going to take off like a rocket."

\$1.35bn Iranian smelter contract

By Hunter Reynolds in Dubai

THE Dubal-based International Development Corp (IDC) has signed a joint venture agreement with Iran for the con-struction of \$1.35bn (£800m) aluminium smelter at the southern Iranian port of Bandar Abbas.

This is the first big foreign joint venture since the Economy and Finance Ministry said last month it was raising the ceiling foreign investors can

from 35 to 49 per cent. IDC, which is chaired by the Dubai-based entrepreneur Mr Mohamed Mahdi al-Tajir, is a consortium that includes George Wimpey, Asea Brown Boveri, Marc Rich and Caradel

The company said it signed a contract with the Iranian Ministry of Mines and Metals for a 220,000 tonnes-a-year smelter

hold in Iranian companies together with a power plant and desalination unit. IDC has provided a financing package to cover the cost of the entire project, backed by a guarantee from the Iranian central bank. Half the plant's output will be exported to cover Iran's repayment of its

S&L rescue thrown into disarray as official quits

This is the latest in a series of aluminium projects planned in the Gulf.

A REVOLT by hardliners in setting back his own peace pro-Israel's Likud Party is set to come to a head tonight in a nosals. This time he says he will make no compromises at the meeting of the 3,000-strong, policy-making Likud Central Committee. confrontation which Mr Yitzhak Shamir, the Prime Minis-ter, must win if fragile moves

towards, Israeli-Palestinian The rebels are led by Mr Ariel Sharon, the fiery former defence minister, Mr David Levy, the housing minister and Mr Yitzhak Moda'i, the ecopeace negotiations are to stay on course, Hugh Carnegy reports from Jerusalem. In similar circumstances last July, Mr Shamir made concesnomics minister. sions to the rebels, infuriating his Labour Party partners in the coalition Government and

Deeply hostile to the plan Mr Shamir produced last May for elections in the Occupied Terri-

Rebellion in Likud coming to a head tories leading to Palestinian autonomy, the rebels want the party to bar the Prime Minister from accepting the inclusion in the talks of any Palestinians resident in Jerusalem or deported from the territories.
Confusingly, Mr Shamir has
also taken public positions
against both these Palestinian
conditions, But, amid Shat a compromise on them

that a compromise on them

might be at hand, he is insist-

ing that his hands should not

be tied by the party.

Mexican price rises outpacing targets By Richard Johns in Mexico City

MEXICO'S prices rose by 4.8 per cent in January, or nearly a third of the Government's 15.3 per cent projection for inflation for the whole year, according to figures published by the Bank of Mexico at the

Reflecting the Government's concern that the steepest monthly increase since March 1988 might be seen as part of a iong-term trend, Mr Jaime Serra Puche, Minister of Com-merce and Industry, said the rise was a non-recurring "infla-tionary bubble". The increase – which was

worse than generally anticipated - is likely to bring higher interest rates and volatility in the money markets

this week.
It is attributed largely to the public-sector price rises announced at the end of December – in particular, for tortillas (the maize pancake which is part of the Mexican

staple diet), petrol, telephone

charges and transport in the For Mexico City, the January inflation rate was 5.9 per cent, exceeded only by the 6.1 per cent recorded for Acapulco and

the State of Mexico.
On an annualised basis the
Consumer Price Index was up 22.5 per cent, with 8.3 per cent of it accounted for by the November-January period.

With selective liberalisation of prices in prospect and the conclusion of wage settlements far exceeding the 10 per cent rise in the minimum wage announced early in December, independent economists believe hopes of limiting inflation to 15.3 per cent for the year, compared to 20.9 per cent

in 1989, are largely illusory.
At last week's auction there was a alight fall to 45.12 per cent in the rate for 28-day Cetes, or Treasury bills, the predominant money market instrument, but an increase is



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By William Dawkins in Paris

A POTENTIAL mutiny in A POTENTIAL mutiny in France's conservative Gaulist party, the Rassemblement Pour le République (RPR), was narrowly averted yesterday.

Mr Jacques Chirac, the RPR's leader, won what amounted to a vote of confidence by barely two points more than the 66 6 per cent more than the 66.6 per cent support he had set himself as the minimum with which was

the minimum with which was prepared to continue.

The poll, on a manifesto written by Mr Chirac and Mr Alain Juppé, the RPR's secretary general, drew 68.6 per cant support at the party's national congress at the Paristan suburb of Le Bourget.

While Mr Chirac won near-unanimous support in a sepa-

unanimous support in a separate vote on his re-election as the RPR's political head, observers agree this was the most serious challenge to his position since becoming party president in 1976.

Mr Chirac, the RPR's twice-defeated presidential candidate and former prime minister, had come under criticism from both the right and left wings of

They argue that he has not done enough to revive its image since the battering inflicted by the Socialists' victory in the May 1988 presidential elections.

Spearheading the attack were Mr Charles Pasqua, from the RPR's far right and party leader in the Senate, and Mr Philippe Séguin, mayor of the



Chirac: vote of confidence

north-western town of Epinal, who stands on the RPR's mod-ernist left. They believe the RPR suffers from a bland brand of eco-nomic liberalism which makes

too like other right-wing par-ties in voters' minds.

Accordingly, they put for-ward a paper calling for a revival and renewal of the RPR's old Gaullist traditions, and posing an implicit threat to Mr Chirac's leadership style, while claiming they did not mean to challenge him.

Mr Chirac threatened to resign if his paper did not get at least two-thirds support

from the congress, which he narrowly achieved.

Baker's Soviet visit seals new relationship

Lionel Barber reports on common interests which are pushing the superpowers closer

UST BEFORE midnight, toward the end of a typically smooth performance before the press, Mr James Baker, the US Secretary of State, was asked why his four-day visit to Moscow had falled to include any meetings with Soviet dissidents or refuseniks. Well, he said, looking ratitled, the Soviet Union has made progress on human rights; the number of refuseniks has dwindled; the Soviets are allowing more emigration; toward the end of a typiare allowing more emigration; and besides "we had a very full

Times have changed, but Mr Baker still tends to see talk on human rights as interfering with the practical business at hand, whether arms control or Afghanistan. His defensiveness on Friday night, therefore, betrayed a desire not to spoil what he calls the US/Soviet shift from "confrontation to

shift from "confrontation to dialogue to co-operation".
Force of circumstance as much as choice is pushing the superpowers towards co-operation. Perhaps the most important discussion during last week's meetings occurred last Friday in the Kremlin, when Mr Gorbachev and Mr Baker agreed that a reunified Germany was inevitable and that many was inevitable and that its future status was negotia-

hle.

Mr Baker said the US would prefer that a reunited Germany remain a member of Nato, and he expressly ruled out neutrality. But he added that some half-way house such as German "association" with Nato might be the only way of assuaging security concerns among her neighbours, including the Soviet Union.

In short, the Soviets cannot



Baker in Bucharest meets Pastor Laszlo Tokes, whose resistance sparked the uprising. Mr Baker announced \$80m in food sid. be left out of a German solu- future political and security future political and security framework for Europe. These ideas are expected to be developed in the Conference for Security and Co-operation in Europe – the 35-nation forum for East-West security and co-operation based on the Helsinki Final Acts – later this year. Some are already talking of a Congress of Vienna-style conference to approve a German solution as part of a wider European political settlement.

All this represents a seachange in US thinking compared to a year ago, when the

tion. The disintegration of Communism in Eastern Europe – while a cause for celebration in the West as well as in Poland, Hungary, and Czechoslovakia – is also, paradoxically, pulling the US and the Soviets together. For, as Mr Baker discovered last week in Prague, the collapse of the Warsaw Pact breaks both ways: President Vaclay Havel ways: President Vaclav Havel wants the 75,000 Soviet occupying troops out by December, but he also envisages Soviet withdrawal as the first step towards the dissolution of Nato and the Warsaw Pact (though the Americans did their best to give the playwright a quick counter-lesson in military strategy).

The development in Mr Baker's thinking surfaced last September, shortly before the next high-level US-Soviet In an important speech in Prague last Wednesday, Mr Baker tried to respond to the encounter in Jackson, Wyoming, where Mr Baker has his ranch. Having chosen home ground, Mr Baker made a secdemands of the post-Cold War era by offering new ideas on a

ond psychological adjustment, calling for a broader dialogue with the Soviets in the search for "mutual points of advanin short, Mr Baker said: This

is a man I can do business with He then put the word out at the State Department; no more questioning Mr Gorbachev's motives, and no more stump speeches by the likes of Mr Larry Eagleburger, his deputy, whose public musings about the need to find stability at a time of rapid change were castigated as "Cold War nostalgia" by the Democrats.

The results in Wyoming were immediately apparent: a blossoming relationship between Mr Baker and Mr Eduard Shevardnadze, the Soviet Foreign Minister, and a is a man I can do business

Soviet Foreign Minister, and a barrage of arms control conces-

sions by Moscow.

The most significant was to drop the linkage between a Strategic Arms Reduction Treaty (Start), halving each side's strategic nuclear missiles, and the demand for a common understanding on the siles, and the demand for a common understanding on the Strategic Defence Initiative (Star Wars) and the 1972 Anti-Ballistic Missiles Treaty governing space weapons.

It was the turning point in this Administration's dealings with the Soviets and a date for a smernower summit in June

with the Soviets, and a date for a superpower summit in June 1990 was set. The Soviet con-cessions on Start persuaded President Bush to instruct his negotiators — perhaps ambi-tiously — to try for agreement in principle by June. In Moscow last week, the US proposed new initiatives aimed at bridging differences, and

at bridging differences, and progress was made. The most important advance was a com-

launched cruise missiles -which are difficult to track and verify — should be treated sep-arately from a Start treaty. In general, the Soviets seem eager to gain the trust, and

even the approval, of the On Wednesday night and on Friday morning, top Soviet offi-cials not only raised with the cials not only raised with the Americans such issues as economic reform, devolving more authority to the republics in a new federal structure, and the momentous vote by the Communist Party central committee to abandon its 70-year-old monopoly on power. Mr Shevardnadze told Mr Baker that it was wirely to strengthen the was vital to strengthen the executive branch of the Soviet system, including the expan-sion of the powers of the presi-

Mr Baker lent legitimacy to Mr Gorbachev's reform effort by agreeing to testify before the foreign affairs committee of the Supreme Soviet on Sat-urday, the first US Secretary of State to appear before a body which only a year ago was seen as a rubber stamp for the party.

And as a human rights questioner on Friday night discovered, Mr Baker's political nose remains as sensitive as ever. Having realised that he had still to deliver a satisfactory answer on refusenths, he revealed — with a glance at the smiling Mr Gennady Gerasimov, the Soviet Foreign Ministry grokesman seated before istry spokesman, seated before him – that the US had indeed presented some names to the Soviets along with emigration requests. The conservative flank was covered.

Bush gets opportunity to help perestroika

By Nancy Dunne in Washington

US-SOVIET trade talks due to open today in Washington give concrete foundation to President George Bush's oft-expressed desire to "see peresirolka succeed".

The trade and investment treaties to be peresired are

treaties to be negotiated are expected to provide stability in a relationship which the US has often sought to use as a

nee often sought to use as a political weapon.
As contemplated by Mrs Carla Hills, the US Trade Representative who has been given responsibility for the negotiations in the trade treaty talks, the US will offer to waive the Jackson-Vanik amendment, which ties Soviet immigration levels to Most Favoured Nation treatment.
Mrs Hills will seek protection for American patents,

Mrs Hills will seek protec-tion for American patents, copyrights and other intellec-tual property; arrangements for the settlement of commer-cial disputes and permission for trade promotion.

Her objective, she told the Senate finance committee last week is to encourage economic reform within the Soviet Ugion "as it moves toward a more market-driven economy". more market-driven economy". The negotiators will also thrash out safeguard arrangements to prevent sudden surges of Soviet imports. It is believed that the US will insist on a provision allowing President Bush to curb imports thought to be subsidised or sold in the US at less than fair

market value.

Mrs Hills will seek rights for US companies to: select their own commercial representatives; conduct market stadies and advertise; warehouse an adequate stock of samples and replacement parts; not to be subject to government mandated barter or counter-trade.

Although many in Congress Although many in Congress have been urging closer trade ties, treaties cannot expect ties, treaties cannot expect automatic approval. The pow-erful Senator Lloyd Bentsen, chairman of the finance con-mittee, last week expressed his anger at not being advised by Bush officials before the Presi-dent proposed the trade talks at the Maits summit.

"If the Nixon administration had consulted with Congress... I don't think the Bush administration would have the kind of limitations it

has on it now," he said.

President Nixon signed a ets in 1972, but it was never ratified. The Soviet Union abandoned the effort after Congress passed the Jackson-Vanik amendment and curbed export finance. According to Mr Eugene Milosh, president of the American Association of Exporters and Importers, the trade agreement was "a bad deal" for the Soviet Union because it required them to repay \$750m (2444m) in lend-lease debts in exchange for limited credits.

Although the treaties are not expected to produce an immediate surge in sales, they will lay a legal basis for lacraEVI.

COMMENTARY

Post-war history on track for a new era

By Ian Davidson in Moscow

IF THERE remained any lingering doubts that we are entering a new phase of postwar history, they were dis-pelled during this past week by three major events in quick ion in Moscow.

On Wednesday, after three days of fierce debate, the Soviet Communist Party over-turned 70 years' of revolutionary history by renouncing its constitutional monopoly of

On Friday, the US and Soviet governments cleared the ground for a clutch of sweeping arms control agreements which will be settled at their June summit in the US. And on Saturday, President Gorba-chev and Chancellor Helmut Kohl agreed the principles to govern the reunification of the two Germanys.

By any standard, this is an extraordinary sequence. But what really underlines the dramatic novelty of the present situation, is the relative impor-tance of the three events. A year or two ago, the virtual settlement of a deal to cut superpower strategic nuclear weapons by 50 per cent, and their chemical weapons by 80 per cent, would have been cer-tain to dominate the international headlines. No longer. The rapproche-

ment between the superpowers, and the ending of the Cold War between east and west have made such extraordinary progress, that there is a tendency to take them for granted. The prospective slashing of nuclear weapons arse-nals is of course a major innovation, but it is starting to be relegated to the status of a largely technical question. in purely historic terms, the Soviet Communist Party's abdication of its monopoly of power is perhaps the most striking innovation. The Soviet Union is entering a reverse revolutionary phase, in which much or all of the communist party's so-called achievements are quite likely to be undone in

short order.
The problem is that no-one has the faintest idea whether this reverse revolutionary phase will be fast or slow, whether it will lead uphill or downhill, whether the end of the road will be pluralistic democracy, nationalistic disintegration, or some kind of authoritarian backlash. In short, we do not really know

The reunification of the two Germanys, by contrast, will be certain, it will be soon, and it will be clear-cut. And whereas will be casar-cut. And whereas the 50 per cent reduction in strategic nuclear weapons isin some sense an ambiguous event, because it will still leave the superpowers with more than enough warheads to destroy the world many times over, the reunification of Ger-

many opens a new chapter in European strategic history. The most remarkable feature of Saturday's meeting between President Gorbachev and Chancellor Kohl, was that the Soviet leader gave the German Government virtually carte blanche to engage in reunification on any terms that could be agreed with East Berlin. The two leaders agreed that

reunification must take account of the interests of the rest of Europe, including those of the Soviet Union. But the key sentence in the joint statement issued after the talks was sweeping indeed: "Germans themselves should make their choice in what state forms, what periods, at what pace and under what conditions they will be realising their unity."

Considering the experience of the Soviet Union during the Second World War, with more than 20m dead, this statement is a remarkable tribute to the

democratic record of the Federal Republic in the past 45 During the plenary session of the Central Committee at the start of the week, several delegates warned against the dangerous consequences of

In an ideal world, the Soviets would prefer the principle of German reunification to be subject to the existing rights in the divided Germany of the four powers who emerged vic-torious from the Second World War then to be decided at the 35-nation European summit scheduled for later this year. After his talks with Mr Gorbachev. Chancellor Kohl made

clear that he expected to reach an agreement on reunification shortly after next month's election in East Germany, and to take that agreement to the European summit. There would be discussions with the four powers, he said, but the way he said it implied that this would be almost a courtesy, merely to enable them to wind up their residual limitations on

East Germans learn to live with language of collapse

HE millions of East Germans who rose early this morning and took the usual bus or tram to work, through bustling streets with well-stocked shops, might be surprised to learn that their society is on the point of collapse. Yet assertions of chaos and collapse are now the daily language of the Western media and political establishment.

The East German (GDR) economy is certainly in a mess.

economy is certainly in a mess. More important, the country is politically and psychologically in limbo. The old order, even in a new democratic form, has lost the will to live, and the new order is waiting on next month's free elections and the re-unification expected months

Both the old Communist elite and the intellectuals who gave expression to October's "peaceful revolution", and who wanted a better sort of socialism, feel defeated. Ordinary people are also demoralised by the new official honesty about the state of their country and by the easier comparison with life in West Germany.

Fear now mixes in equal untity with hope. Fear that a political vacuum will strengthen the far right, fear that currency union will wipe out savings, fear, above all, of inability to compete in a re-unified country. "Older office workers, like me, will be out of a job, we can't use computers, says Gelinda Dannegger from Leipzig. West Germany is viewed with both gratitude and ent, the market system is coming both too fast and not fast enough. Even in the countryside, where life has been barely touched by the revolu-tion, they fear re-possession of

the land by former owners. Yet, considering this uncertainty, life continues with eerie normality; people go to work, public transport operates, there is no shortage of food. So why is West Germany talking up the crisis, with potentially self-fulfilling effects?

Mr Heiner Flassbeck, of the West-Berlin based DIW eco-nomic institute, claims: "Politicians in Bonn are over-stating the extent of dislocation to justify speeding up unification. You could also speculate that some people want to create the conditions to buy up the GDR on the cheap."

The DIW's own report on the GDR economy is pessimistic, and criticises the provisional government for being more enthusiastic about the theory of the market economy than the practice, but stresses that The country is in political limbo. writes **David Goodbart**



ROAD TO UNITY

basic needs are not threat-The theory of a West German de-stabilisation campaign is, however, difficult to sustain in view of the fact that so many GDR officials (and to some extent the GDR news media) also speak the language

couspse. Mr Hans Modrow, the Prime Minister, has painted an extremely gloomy picture to justify bringing forward the elections from May to March (to secure an overwhelming victory for the GDR Social Democrats, speculate conserva-tive West German analysts). And now, in old-fashioned Stal-inist style, his thoughts are tle exaggeration - by the ranks of GDR officials, econo-

mists and managers, and hap-pily plagiarised in Bonn. What, then, does the reality appear to be? Industrial production is expected to fall by 5 per cent this year, partly as a result of the continued outflow of workers (still about 2,000 a day) and partly because of disruption to supply caused by the abandonment of planning. Mr Slegfried Leubuscher, boss of a plant-building group in Leipzig, explains: "We have severe delivery problems in some areas such as pumps and electronic parts because our suppliers are now free to divert production for export."

He welcomes monetary union but warns that unless GDR workers accept D-mark wages of perhaps one-third the West German level it will cre-ate massive unemployment. Whole areas of industry where we will never be com-petitive will in any case have to close," he says. industries - such as consumer electronics - where there are aiready some labour discipline problems. But, like other man-agers, he admitted to no such problems in his own plants, apart from a slight increase in sick leave. Mr Manfred Schuster, manager of a Leipzig build-ing group, even reported that labour discipline was better because of the new fear of losing a job.

pared to a year ago, when the Bush Administration was won-dering out aloud whether Mr Gorbachev was "for real".

There have been a few strikes but these last only hours. More serious, to placate agreed to wage rises this year costing about 5m East German marks — adding to its national debt of at least \$20bn - and is now having to introduce unemployment benefit for the 100,000 newly jobless. About 10,000 of the latter are out of work because their plants have been closed on pollution

Over-manning in some industries is so great, according to one economist, that the ing to one econor labour outflow is having little effect, but it has increased problems in the transport and health sectors, only partly alleviated by the deployment of 12,000 soldiers in the public services. About 10 per cent of all doctors are estimated to have left for West Germany. The spiral is inevitably downward as more people leave the country; according to

a GDR opinion poll only 62 per

cent of the population say they will under no circumstances

leave, a drop from 84 per cent last November. The young realise they will have to wait 10 years for West German wealth, even with re-unification. But talk of collapse underestimates how bad the situation was even before the pres-ent limbo. An East Berlin doctor, for example, complains that medical practice in most fields in the GDR has always been "primitive" compared with West Germany. And the rail system has been notoriously poor. Doomsday scenarios also fail to appreciate the

in the GDR. If chaos exists anywhere it is in the political sphere. "We've now got 18 parties standing against one another and the all support unity and a social market economy; no wonder people are confused," said one government official. To people, and especially 16m Germans drilled in Stalinist order, the messy transition to democracy must, indeed, feel a bit like

extent of regional differences

Romania seeks stability in run-up to election

Bucharest: The new provisional Council for National Unity which held its first stormy and bitter session at the weekend will attempt to maintain stability and consensus as the country prepares for elections in May, Judy Dempsey reports.

However, the CNU which plays the role of a caretaker parliament, will remain dominated by the old Front for National Salvation despite desperate attempts by the opposition to curb the Front's powerful influence. Although the FNS is now dissolved in name, its role as a political party is likely to shape the tone of the election campaign. Elections are scheduled for May 20. The council of the Front now holds 111 of the 253 seats on the CNU. The rest of the seats are divided between 37 political parties, nine minorities and a group of ex-political prisoners.

European airlines buoyant

London: The 21 European carriers in the Association of European Airlines enjoyed a buoyant year in 1969, Paul Abrahams reports. Members of the AEA increased the number of passengers they carried last year by seven million to more than 100 million, representing a growth rate of 7.7 per cent. At the same time, the strilines load factors - an important indication of profitability -

Turkish pit unions urge protests Ankara: Turkey's two coal mining unions have called for work stoppages and demonstrations countrywide in the wake of last week's mine disaster in protest at deficient safety precautions in

the industry, Jim Bodgener reports.

Four senior company officials at the pit near Merzifon, Northern Turkey will be tried for negligence. More than 60 miners, most trapped by a gas explosion and spreading fire, are feared to have perished last Wednesday.

Air France strike takes hold

Paris: A 48-hour strike by French pilots and flight technicians demanding more staff and better pay forced Air France to cancel some medium-haul flights yesterday, Reuter reports.



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EC steps up initiative on harmonising corporate tax

long-standing plans to bring corporate taxation into line is expected to be given today by Mrs Christiane Scrivener, EC commissioner in charge of tax-ation, writes Lucy Kellaway in

She will tell economic and finance ministers from the Twelve to try again to reach agreement on three directives on company taxation; two have been held up for over 20 years. The directive would establish a common system of taxes

A FRESH impetus to the for cross-border mergers, set a European Commission's common rate of tax on parent companies and subsidiaries in different countries and eliminate double taxation in transfers of profits between a company and its subsidiaries.

The measures, always popular among European companies and most member states, have been stuck on a veto from West Germany. Some member states, however, were sceptical whether the new determina-tion from the Commission would help push through the

UK NEWS

Distributive Trades Survey indicates January retail sales remained buoyant

High consumer spending defies expectations

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remarkable buoyancy in January against expectations, according to the latest CBI/Fi-

The survey gives an early warning that retail sales figures for January, published by the Central Statistical Office later today, may fail to show the slowdown in consumer spending widely expected in the City of London.

ne City of London. omy necessary to bring down The City consensus was that inflation.

CONSUMER spending showed January sales volumes would dip 1.5 per cent compared to December's rise of 2.2 per cent according to the latest CBI/Fi-nancial Times distributive trades survey.

- a surge in spending the City saw as a one-off consequence of last-minute Christmas shop-

With 65 per cent of retailers reporting sales higher this Jannary than last, the survey appears to offer the Govern-ment little evidence of the reduced demand in the econ-

In December, a month which speed during this month. turned out mexpectedly well for retailers, 50 per cent reported higher sales than the previous year. Expectations for next

month's sales volumes show continuing confidence that high interest rates will not

deter high street spending.

The CBI, the employers' association, said however that the survey indicated that the rate of sales growth was not expected to persist at such

Mr Nigel Whittaker, chairman of the survey panel, said:
"At the end of last year, retailers were not expecting annual sales growth to pick up in Jan-

However, consumers may have selved the opportunity to make major purchases in the New Year sales." Mr Whittaker attributed

much of the unexpected boost to heavy purchases of low-ticket items. Chemists and food stock volumes were still too high. Buoyant January sales, Page 6

shops continued to report "substential sales increases."

The same bright picture for retailers is not, however, painted for the wholesale trade, which reported lower sales in January for the first

time on record.

Both wholesalers' and motor traders' orders to suppliers fell on the year, while 49 per cent of the latter complained that

Labour Party steps up battle over community charge

By Philip Stephens, Political Editor

nity charge or poll tax after a pledge yesterday by Mr Neil Kinnock that a government under his leadership would replace it with a system that was simpler and fairer.

Mr David Blunkett, Labour's local government spokesman, intends to write to Mr Chris Patten, Environment Secretary, demanding immediate publication of the criteria under which the Government intends to limit the spending of councils which set poll tax levels well above those recom-

mended by his department.

The poll tax is to take the place of the domestic rates system, which taxes property owners for the cost of community services. Under the new shows all these services. scheme all those aged 18 or over will be obliged to pay the community charge.

Meanwhile ministers main-

tained their onslaught on Labour's proposals, using an opportunity to deflect attention from the Government's own

Mr David Hunt, Local Gov-ernment Minister, described the Labour alternative as the "gaffe of all time", in which private, financial information would be disclosed to socialist

Mr Michael Howard, Employment Secretary, said Labour's

THE OPPOSITION Labour plans for business rates would Party will today seek to step up its attack on the communesses without limit and to crush the revival of British

industry. Mr Bhmkett's letter will follow the publication by Labour, during its weekend local gov-ernment conference in Cardiff, of a list of 21 Conservative-controlled authorities whose poll tax levels will far exceed the Government's original esti-

mates.
The list shows that the counclls plan to set their charges at between 30 and 65 per cent above the Environment Depart-ment's recommended levels.

The figures appear to confirm that the Government's fig-ure of £278, as the average level of the poll fax in England and Wales when it is intro-duced in April, is a significant under-estimate.

Yesterday Mr Kinnock sought to deflect mounting Government attacks on Labour's poll tax alternative by saying he would not be rushed into publishing the fine print of his plans. For Labour, the most impor-

tant thing in the development of its proposals was not speed but "fairness, efficiency, cheapness in administration, and equity in operation," he added. Labour's alternative will be based on property values and linked to an individual's ability

Nuclear fuels company begins discussions on 35-hour week

By Michael Smith, Labour Correspondent

BRITISH NUCLEAR FUELS BRITISH NUCLEAR FUELS
(BNFL) has begun talks with
union leaders on the feasibility
of introducing a 35-hour week
for all 15,600 employees, including manual workers.

Discussions are at an early
stage but union leaders say
considerable progress is being
made and that the company
has indicated a willingness to

has indicated a willingness to agree a 35-hour week provided it can negotiate a self-financing

If agreement can be reached, BNFL employees would enjoy a shorter working week than virtually all other workers in

The standard working week among UK manual workers is normally 39 hours, although about 30 engineering compa-nies have recently conceded the principle of a 37-hour week the principle of a 37-hour week following a strikes campaign by engineering unions.

Among office workers in

industry the norm is 37 or 37% hours, although some financial services employees work 35 hours. At BNFL, both office and manual staff work 37-hour

BNFL refuses to comment in detail on the negotiations. One union official said, however, that in spite of the company's the present four.

initial reluctance to open talks it now appeared to see negotiations as an opportunity to win productivity concessions it had been seeking for some years. BNFL was looking to re-or-

ganise working patterns and to achieve more flexible working. Union leaders believe agreement is close on flexitime workers and on other problems relating to the day workers. A more significant hurdle is pres-ented by the company's desire-to change shift working pat-terns. The company wants shift workers to work five or six shifts in a row, rather than

Government relaxes training rules

By Lisa Wood, Labour Staff

PRESSURE from industry has persuaded the Government to relax the operating rules for the new employer-led councils which will control the delivery of publicly-funded training including Youth and Employ-ment Training

ment Training.

Changes include 15 per cent of the Government's £1.2bn budget for Employment Train-ing being available for new cat-egories of trainees such as women returning to the labour market. They will continue to be trained even if they find

The changes are given in final operational guidelines to the Government's 82 Training

and Enterprise Councils which later this year will take over responsibility for vocational training from the Govern-

ment's Training Agency.

The boards of the new TECs have a majority of local business leaders, and it is pressure from these boards which persured the Government to suaded the Government to make the national rules more

At a meeting in December chairmen of the TSC boards told the Government that they did not want the role of rubber stamping training initiatives that were being inherited from the Training Agency.

Mr Michael Howard, Employ-

ment Secretary, acknowledged the concerns of chairmen in a letter to TECs outlining the

operational guidelines.

"TECs will be given challenging targets for training and enterprise, but our aim is to give as much freedom as possible to how these targets are met so that TECs can oper-ate flexibly and effectively," he

Mr Howard said Youth Training - the successor to the Youth Training Scheme would no longer have a fixed training duration. The length would be determined by trainees' needs and the qualification aimed for.

Union chief challenged on election suspension

By John Gapper, Labour Editor

MR RON Todd, general secretary of the Transport and General Workers' Union, is expected to be challenged this week by members of his execu-tive over his suspension of national elections following suspicions of ballot-rigging.

Right-wing members of the union's national executive said yesterday they were dis-satisfied with Mr Todd's initiative, and wanted an indepen-dent inquiry into how at least 2,500 ballot papers disap-peared from the union's head-

Both the left and right wing Both the left and right wing factions taking part in the national postal ballot to elect a new union executive, expressed confidence that they would have won a majority in the ballot if it had not been suspended.

The election is now to be re-run starting this Friday and ending on March 25. The result will determine whether the left loses a 21 to 18 major.

the left loses a 21 to 18 major-

ity on the executive of what is the biggest union in the coun-try, with 1.3m members. Right-wing members of the executive believe the ballot executive believe the ballot papers involved were used to vote for left-wing candidates in some of the union's 11 regions and 14 trade groups where they were thought likely to lose to right-wingers. However, left-wingers involved in the election campaign believe they had retained an overall majority. Control of the TGWU's executive is politically important because of the union's large block vote within the Labour Party.

Party.

Mr Ivor Braggins, a right-

Mr Ivor Braggins, a right-wing executive member, said that he would seek more infor-mation from Mr Todd this morning. He said he wanted an independent investigation into the affair, instead of an internal inquiry.

Other right-wingers are con-sidering asking the police to investigate, or mounting a legal challenge to the ballot suspension. However, a suc-cessful legal challenge is thought unlikely since the election scrutineer backed the election scrutineer backed the

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UK NEWS

Young Tory rally antics upstage Thatcher MMC will give report By Raiph Atkins in Torquay

on water

By Andrew Hill

merger plan

THE Monopolies and Mergers Commission is expected today to deliver to Mr Nicholas Rid-ley, Trade and Industry Secre-

tary, the results of its investi-

gation into the proposed merger of three statutory water companies near London.
They are Colne Valley, Rickmansworth and Lea Valley.
The proposals have provided a test case for the Government's restrictions on such takeovers. which allow for

takeovers, which allow for automatic MMC referral of

mergers between water compa-nies above a certain size.

Mr Ridley introduced the restrictions last year when he was environment secretary.

To add to the sensitivity of the issue, the companies have the backing of France's largest water supplier. Companie

water supplier. Compagnie Générale des Eaux, which already owns Les Valley and large stakes in the two other

companies. Générale would become the largest shareholder in the

largest shareholder in the marged group, to be known as Three Valleys Water Services.

Mr Ridley must decide whether to back the MMC proposals before the results can be published.

The logic for a merger is

very strong, as the three com-panies already have firm trad-ing links. Rejection of the plan

Water. They announced the plan to merge at the end of July.

July.

If successful, Three Valleys would probably become the UK's seventh-largest water supplier – larger than four of the recently privatised former water authorities, which are protected from takeover by government "gulden shares."

Forecasters

By Terry Byland

conflicts

warn of Budget

MR. JOHN MAJOR, the

Chancellor, faces difficult deci-sions between conflicting recessionary and inflationary pressures as he prepares his Budget, according to Oxford Economic Forecasting, an independent forecasting

group.

The danger of pushing the economy into recession may restrain him from tightening policy as much as he might wish in what will be his first

Budget, yet inflationary pres-sures will still be strong

enough to rule out more than a 1-point cut in domestic base

rates this year, the group

Describing the present financial position of many British companies as "precari-ous", OEF points out that a

deflationary budget might

cause them to reduce both stocks and investment.

To take too much out of the economy at this stage risks turning the present economic slowdown into a "full-fledged recession, the effects of which might not have warn off in

BY THE morning after the night before it was clear that Mrs Margaret Thatcher-normally defiled by aspiring Torica as the greatest living statesman ever— had been unstaged at the Young Con-servatives' conference at Torquay.

What got most chanting, cheering and passion from Britain's future Tory leaders was not the Prime Minister's question-and-answer session on Satur-day. It was the hour-long election hustings on Sunday morning. The greatest theatre was not in the conference hall but at US-style campaign rallies, drunken discos and at the ball-gown and black-tie conference ball. It was the Playtime and Party Party.

Playtime and Party Party.

This year saw an attempt at a damage limitation exercise by Conservative Central Office. The sim was to stop the loutish behaviour, division and headline-grabbing extremism that has marred previous conferences.

Set debates were stage-managed with the aid of Mr Harvey Thomas, mastermind behind the orderly flag-waving and standing ovations at national jam-

and standing ovations at national jam-borees. Central office troops acted as minders. The programme was swamped with Cabinet Ministers' speeches to deflect attention.

The operation, however, was only partly successful. There were no embar-rassing outrages and the police reported a quiet Saturday night. But the colour-ful in-fighting that has split the Young



Andrew Tinney: in the ascendancy

Conservatives and might threaten its future continued unabated.

future continued unabated.

The dispute, for aficionados, centres on two factions. In the ascendancy is "The Right Team," led by YC chairman Mr Andrew Tinney, a 25-year-old accountant from Woking. The campaign is slick, brash and centred on Mr Tinney himself, surrounded by up to eight managers equiped with portable

phones. On Saturday evening - after Mrs. Thatcher had left - the walkietalkies were inaudible at the night-club venue for The Right Team rally.

Under disco lights and to the pounding beat, sharp suits shuffled with silky skirts. When the loudspeakers broke into Fanfara for a Common Man Mr.

into Fanfare for a Common Man, Mr Tinney, surrounded by an alghistrong formation dancing team with "The Right Team" T-shirts, made his

Later at the conference ball, where no Cabinst minister would dare to strut, Andrew Timey stickers and badges lit-tered the floor. Last year The Right Team won the chairmanship. This time t hoped to take the four vice-chairman-Any hint of wetness is jeered. Son

fear that the extreme Federation of Conservative Students, disbanded in disgrace in 1986, has re-emerged in a

disgrace in 1986, has re-minaged as a different form.

Arch-rival to Mr Tinney is Mr Laur-ence Harris, a 24-year-old trainee solici-tor, representing a more moderate wing and standing to be next year's chair-man. He believes harsh realities have to be faced. Mr Tinney, he says "is all into salf-promotion."

Mr Harris wants the organisation restructured to reverse fails in member-ship (a trend the Tinney camp believes has been halted). "The conference is half dead and the reason why it has died is that the organisation is in decline," Mr Harris says.

Rivalry between the two factions is deadly. Mr Harris was booed when he chaired the conference. Mr Tinney was accused of raising massive campaign funds from dubious sources. Journalists need not dig for slurs and innuendo – both sides present it in

miniental both such press releases.

The election hustings session was marked by slow handclapping, stormy protests, angry speeches, hissing and booing — all in rich quantities.

Mrs Thatcher and her Cabinet colleagues appeared to look on the YCs with the eyes of bemused parents who believe they should control their offspring but are not sure how. The Prime Minister was patronising. "I'm afraid you are asking such deep questions that each of them is taking up a little speech of their own," she said as she fended off questions about local government finance.

Mr Kenneth Baker, national party chairman, told his audience "your task - and your only task - is to go out together and fight socialism."

At the end of the conference, Mr Tin-

At the end of the conference, Mr Tinney declared the Young Conservatives had been turned around. Delegates stood and sung that National Anthem. Above them the conference alogan read "Conservative Youth — Britain's future." Well, maybe.

N-power backed to slow global warming

electricity generated from nuclear power would offset the greenhouse effect, the Atomic Energy Authority (AEA) said

would indicate a hard govern-ment line on other water industry takeovers. yesterday.

Mr John Collier, chairmen of the authority, said the amount of electricity produced from nuclear power in industrialised countries should be raised to 50 per cent of the supply in the next 30 years. The present UK level is 16 per cent.

A policy paper is being sent to the Department of Energy so that AEA views can be taken into account in the white paper Allowing it to go ahead, however, might prompt other companies to attempt mergers. That would reduce the number of UK water companies in an industry which is already run, moustry which is already run, via a delicately balanced regulatory system, on the basis of regional monopolies.

Colne Valley, Rickmansworth and Lea Valley supply water alongside Thames

into account in the white paper on the environment which the Government will publish later this year. A pamphlet about nuclear power and the green-house effect is being sent by

the AEA to all senior schools, MPs, and the top 500 compa-nies in the UK.

Projections are for nuclear power to provide 21 per cent of electricity generation by the year 2020. But, says the docu-ment, increasing the nuclear share to the "ambitious target" of 50 per cent would requee energy-generated carbon diox-ide enissions by 30 per cent of what they would otherwise have been

Mr Collier said nuclear Mr Collier said nuclear power, together with hydro power and renewable energy sources such as wind and wave power, must be the way ahead. Clean, efficient electricity must have an increasing role to play.

"All the evidence is that global warming is happening

and is slowly changing our world," Mr Collier said in the

We must reassess all our me must reassess all our energy priorities and policies, particularly with fossil fuel power stations pumping out millions of tonnes of carbon dioxide and other greenhouse.

gases each year."

The policy paper says the substitution of natural gas for "dirty" fuels such as coal offered an immediate but limited benefit. Significant reduction of fessil fuel emissions would require marked increases in the use of gas. Even at present consumption levels, proven gas reserves would only last 60 years. The immediate priority was

to save energy and set the

shape of 21st-century power generation by developing the full potential of proven nuclear, hydro and renewable technology.

Nuclear energy already saved the emission of about 1.7bn tonnes of carbon dioxide 1.7bn tonnes of carbon dioxide annually. Carbon dioxide would be further reduced if a larger share of electricity was generated by nuclear stations displacing those using coal and oil. More nuclear-generated electricity should be used for railways and heavy industry such as steelmaking.

The document says: "The

such as steelmaking.

The document says: "The rapid expansion of nuclear power in France illustrates well the impressive reduction in carbon dioxide emissions that is achievable."

Two bodies discovered in Ulster

POLICE ordered post mortems POLICE ordered post mortems yesterday on the bodies of two men found in Northern Ireland. One was discovered near Newry, Co Down, and the other on the Cavehill, which overlooks Belfast.

A booby-trap car bomb containing 1 lb of Semtex was made safe after a four-and-a-half-hour operation at Portrush. Co Antrim.

trush, Co Anirim.

The Royal Ulster Constabulary said the vehicle belonged to a local man who had no connection with the security

In the Loyalist Shankill Road area of West Belfast a police

Land Rover was fired on dur-ing the night. The incident fol-lowed a spate of bomb hoaxes and vehicle hijackings in the the unrest was directly linked to the arrest of Ulster Defence

Association members from the area who have been charged with offences by the Stevens inquiry team investigating alleged leaks from the security services to Loyalist paramilitaries.

The RUC has set up a co ·mittee to take responsibility for all large-scale policy deci-sions, Our Belfast Correspon-dent writes.

Mr Hugh Annesley, chief constable, outlined the changes in a strategy document published yesterday. It is thought to be the first of its type produced by the force.

duced by the force.

Mr Annesley said: "There can be little doubt that communlty support for the police is the wedge that isolates the ter-rorist from society and we must strive to reinforce this." The aims are to give the force a more corporate iden-tity, improve consistency in decision-making and stream-line administration.

A Royal Marine who shot a comrade dead while in action in Northern Ireland will not be prosecuted, it was disclosed

prosecuted, it was disclosed yesterday.

The shooting happened last June when a patrol tried to stop a suspect car in Belfast. Mr Adam Gilbert, of 42 Commando, based in Plymouth, Devon, was hit in crossire by an unparted collecting.

An inquest into the death of Marine Gilbert, 21, of Fleet, Hants, will now be held.

Companies likely to fail in E Europe, survey says

By Michael Skapinker

MANAGERS with experience of working in Eastern Europe believe British companies lack the skill and foresight to suc-ceed there, according to a survey carried out by Merton Associates; an executive search .: company.

The survey of 200 managers found that 82 per cent believed that British companies were showing insufficient initiative in setting up joint ventures in Eastern Europe. Two thirds said they did not

helieve British companies knew enough about the Soviet Union and other Eastern Euro-

All those interviewed had worked in Eastern Europe

sional basis. All are fluent in Russian or another Eastern

European language.

They said the country most likely to succeed in Eastern Europe was Wast Germany because of its superior management, greater entrepreneurial foresight, longer term outlook, and geographical proximity.

The managers interviewed thought that French, Italian.

thought that French, Italian, American, Japanese, Finnish and South Rorean companies were all more likely to succeed in Eastern Europe than their British counterparts. UK Management Attitudes to

Working in the Eastern Bloc and the USSR. Merton Associ-ates, Grafton House, 70 Grafton Way, London WIP SLE. Free.

Growth forecast static for electronic components

By Michael Skapinker

THE UK electronic components market is expected to show no growth this year as a result of falling defence and telecommu-

consumer and data-processing sectors. Prospects for recovery in telecommunications are less certain and the defence sector is expected to show little growth next year.

The federation says that the IEE sectors is consistent to show the sector in says that the sectors is convenient.

UK electronic components market grew by 16 per cent in the first half of 1989. Slower growth in the second half,

however, meant that growth for the year as a whole was limited to an estimated 8 per

nications orders, seconding to
the Electronic Components and half of the year was
industry redoration.

Next year, though, it reckons
the market will pick up on the
back of an expected strong
recovery in the automotive,
components also had a relaconsumer and data-processing
treely near year in 1920. The tively poor year in 1989. UK electronic equipment manufacture grew 7.5 per cent in the first half of 1989.

The equivalent growth rate for the first half of 1988 over 1987 was 15.2 per cent. A further fall in the second half of 1989 resulted in overall growth for the year of an estimated 5

Infrastructure work offers hope for building

By Andrew Taylor, Construction Correspondent

infrastructure, particularly in roads and water facilities, is likely to provide one of the few pieces of good news in a gener-ally depressed outlook for Brit-ish construction over the next 12 months, according to a survey published today.

The Federation of Civil Engi-

neering Contractors, which last month questioned more than 150 companies about the

it had been encouraged by reports of a significant increase in invitations to tender for work.

There had also been a rise in the number of companies reporting increases in order books over the last six months.

More than a third of companies had reported an increase in Almost 40 per cent said order

state of their order books, said

past 12 months. "Looking fur-ther ahead, the percentage of firms expecting a rise in orders for new work has risen to its highest level since October 1988," the federation said, However, it said it was disap-pointed that there had been lit-tle improvement in profit

Investment in infrastructure is increasing as other areas of

downturn. UK construction output this year is expected to fall for the first time since 1981 as the recession in house build-ing, brought on by high inter-est rates, is expected to spread

to the commercial market.
The federation said that availability of labour, materials and equipment which had been causing difficulties had

gish sales also to dominate February.

The same picture of lower

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might not have worn off in time for an election in 1992." CBI/FT DISTRIBUTIVE TRADES SURVEY

Buoyant sales in January for retailers but gloom for wholesalers

SALES VOLUMES were especially buoyant in January, in spite of pessimism among Britain's retailers, according to the latest Confederation of British Industry/Financial Times distributive trades sur-

vey. In contrast to the acceleration in retail sales, wholesalers reported that, for the first time, sales were lower than in the previous January. For the first time since last March wholesalers' orders from suppliers were lower than

Wholesaling

Sales (%)

shared by the motor trades, according to the survey, which polled 502 companies in the retail, wholesale and motor sectors between January 15 and February 2 this year. For the ninth month in suc-

For the ninth month in suc-cession motor traders said they sold less in January than a year ago and expected sales to fall below last year's levels again in February.

Taken together, the results point to a remarkable January for retailers. Of the 293 ques-tioned, 65 per cent said that sales volumes were higher than a year earlier, while 15 per cent said they were lower. a year earlier. The slightly bleaker conditions for wholesalers were per cent said they were lower.

The difference between the two, which gives a guide to the trend, was a positive balance of 50 per cent — showing that December's 30 per cent positive balance was not an isolated incident.

The balance of +50 per cent was far higger than the balance of +11 per cent of traders who had said they expected a sales increase last month. In January, a balance of +27
per cent of retailers reported
good sales compared with +13
per cent in December, with
chemists, specialist food, confectionery, tobacco and news-

increases. As well as sales vol-umes, orders placed by retail-ers grew in January, with a halance of +25 per cent ordering more than a year ago.

However, stocks continued to be run down compared with

to be run down compared with November's high levels.

The 156 wholesaling respondents had a less successful January, with a balance of -3 per cent reporting higher sales. December's picture had been much brighter, with a balance of +22 per cent reporting improved sales.

More wholesalers reported poor rather than good sales, while an overwhelming num-

ber said they had an "average" month.

For the first time since March 1989, wholesalers in January placed a lower volume of orders with suppliers than a vear earlier.

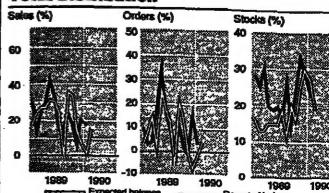
Jear earlier.

Lower ordering, relative to 1989, is also expected for February. Compared with December and November, when stocks were running high, stocks were run down in relation to

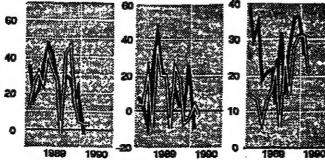
In the motor trades sector, a 20 per cent of traders reported lower sales in January compared with the previous year, and 12 per cent expected slug-

The same picture of lower volumes, and lower expectations, prevails on the supply side. In January, a balance of +20 per cent of traders followed the pattern of recent surveys to place smaller orders in January. They anticipate low ordering again this month. Stock levels in relation to expected sales were excessive—with 49 per cent reporting them too high. However. them too high. However, stocks had fallen a little from December's levels, when a record 50 per cent indicated excessive stocks.

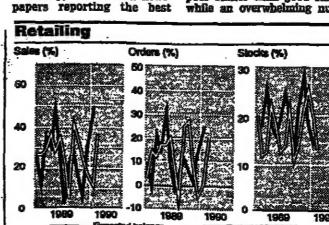








Orders (%)



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capable of satisfying future transmission requirements.

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Transmission Product Group, 10, rue Latécoère, 78141 Vélizy Cedex, France.

Notice of Redemption

to the holders of

International Standard Electric Corporation

12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that \$10,954,000 principal amount has been selected by the Trustee for Redemption on 15th March, 1990 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

(Continued on the following page.

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Accordingly, on 15th March, 1990 the Bonds so designated for redemption will

become due. Payment will be made upon presentation and surrender thereof of the

above Bonds at one hundred per cent (100%) of the principal amount thereof in

United States Dollars, at the option of the holder, subject to any applicable laws or regulations in the country where each of the following offices are located, at the

City Offices of Bankers Trust Company in London, at the main office of Bankers

Trust Company in Paris, at the office of Bankers Trust GmbH in Frankfurt, at the

office of Banque Indosuez Belgique Brussels, (formerly Banque du Benelux S.A.

Brussels), at the office of Banque Générale du Luxembourg S.A. in Luxembourg or

March, 1990. Coupons maturing on 15th March, 1990 and prior thereto should be

detached and surrendered for payment in the usual manner. From and after 15th

International Standard Electric Corporation

By Bankers Trust Company, Trustee.

The redeemed Bonds should be presented with all Coupons maturing after 15th

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Sharp drop in sales of electric **blankets**

By Clay Harris, Consumer

BRITISH consumers have switched off purchases of elec-tric blankets because of a third mild winter in a row.

Sales last year dropped to barely 60 per cent of the 1988 figure, according to the Asso-ciation of Manufacturers of Domestic Electrical Appliances. Deliveries to retailers stood at only a third of the level reached a decade previ-

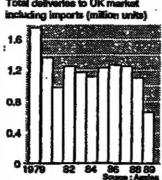
Moreover, although relatively warm weather has aggravated matters in recent years, the electric blanket appears to be a product in long-term decline. In spite of innovations such as dual controls, manufacturers have been unable to expand the market sufficiently to offset the rise of duvets and central

heating. Retailers have reacted to the latest downturn in sales — and to high interest rates — by let-ting stocks of electric blankets fall to well below the usual

levels for February.

Mr Ron Colquitt, finance director of Burnley-based Blanella, part of the private Irish group Glen Dimplex, said one of his main customers was out of stock on four of six models and had no plan to replace them until the autumn. "I think they're ready to lose sales rather than carry

Electric Blankets Total deliveries to UK market



stock," Mr Colquitt said. Sales in London Electricity Board showrooms have held up better than the national average but are still 12 per cent down so far for the year to April. Miss Jackie Drinkell, buyer.

confirmed that the LER was also letting stocks fall. "If we had 10 left, we probably wouldn't re-order," she said.
One optimistic indication came from Argos, the cata-logue retailer soon to be demerged from BAT Indus-

tries.
Its sales of electric bedding were 20 per cent higher in January than in the same month last year.

The combination of lower sales and de-stocking has led to reduced production at the country's main manufacturers. Blanella is working a four-

day week, and the largest manufacturer, Oldham-based Northern Blankets, is operating at 20 to 30 per cent of

capacity.
Northern, which is owned by
Allegheny International of the
US, makes about half the biankets sold in Britain. Its brands include Sunbeam, the market leader, and own-label products for electricity showrooms and John Lewis Partnership department stores.
Dreamland, the Yale &

Valor subsidiary which sells the second-largest number of electric blankets in Britain but ranks first by value, has moved its production hase to Portugal.

Rivals have watched the move with interest, but not much trepidation, since labour comprises a relatively small proportion of production costs. Until Dreamland's move, imports accounted for only about 5 per cent of the UK

The industry's ability to pull out of its decline depends on finding products that appeal to a wider market than the traditional older customer. Several makers pin their hopes on electric feet warmers and underblankets that need not be turned off before the user

What the manufacturers really dream of, however, is a white Christmas, followed by the sort of prolonged cold spell that makes the pundits forget the greenhouse effect and start talking again about a new ice

Finance group opens in Wales

NOBLE LOWNDRS, the pensions and personal finance group, is to open an office in Cardiff, writes Anthony Moreton, Welsh Correspondent.

A Government-led initiative, launched two years ago to develop financial services in south-east Wales, has attracted N. M. Rothschild, National Provident Institution and Banque Nationale de

Recently, the Sedgwick group, the international insurnce brokers, took over B. K. as, a local insurance bro-

UK NEWS

Rethink on media seizure measure

By Raymond Snoddy

THE GOVERNMENT has decided to review controversial clauses in the Broadcasting Bill allowing police to seize scripts and tapes from broadcasters before transmission if they thought an offence was about to be committed.

The clauses have been critic-ised by broadcasters as an unprecedented degree of prior censorship on the British

broadcasting system.
Under the bill, now in its committee stage in the House of Commons, any policeman of superintendent rank or above would have the power to make would have the power to make an order requiring broadcasters to produce scripts, tapes or films, if he had "reasonable grounds for suspecting" that an offence had been, or was likely to be, committed under public order or obscene publications legislation.

Mr David Mellor, the Home Office Minister responsible for broadcasting has ordered an

broadcasting, has ordered an

internal Home Office study of

the clauses. The Conservative Party gave a manifesto commitment at the last election that broadcasting would be brought, for the first time, within the reach of obscene publications legislation. In the Broadcasting Bill, however, the relevant clauses have simply been transferred from Public Order and Obscene Publications Acts.

Mr Mellor will now examine whether virtually unlimited powers to selze programmes before transmission is the appropriate way forward.

on tendering, the principle of competitive tendering has not been dented. Mr Mellor supports tendering as a way of making the allocation of franchises "more objective." Even if he were not, Mrs Thatcher, the Prime Minister, would ensure its continuation. In the standing committee hearings last week, however,

David Mellor: ordered internal Home Office study Mr Mellor said he would like

· Add children's and religious programmes to the specified categories that must be pro-duced by commercial broadcasters alongside news, current affairs and regional pro-

• Extend the requirement to produce a "suitable propor-tion" of high-quality programmes to the entire range of

programme types.

Look at whether more should be included in the bill to define the "exceptional circumstances" in which the Independent Television Commis-sion could reject the highest

financial bid. Mr Mellor wants a bid offering exceptional quality to be able to take precedence over the highest financial bid. He believes that is already implicit

in the bill, but his interpretation is disputed by lawyers. The minister has cleared his proposals with Mr David Waddington, the Home Secretary and former Chief Whip, but must now consult the Cabinet committee chaired by Mrs Thatcher which drew up the

bill's main proposals.

Independent

Leyland DAF creates 200 jobs

By John Griffiths

LEYLAND DAF is to create an extra 200 jobs at its Birmingham van-making operations, formerly known as Freight

The move, mainly to cope with sharply increasing export demand, is expected to lead to the company's facility at Com-mon Lane, Birmingham, producing 600-650 panel vans a week in the spring, compared with present output of about 500 a

The plant employs 2,000 peo-ple, of whom around 1,300 are assembly-line workers.

Exports of the vans, mainly to Continental markets, doubled last year to 6,000, more than offsetting a 5.88 per cent drop in UK sales to 16,138

In 1986, the last year before Freight Rover became part of under the Government's privatisation of Rover Group, the division exported only 300

For much of the past year the plant has been working at its single-shift capacity, and the extra workers will be employed to create a night

Total production last year rose to 24,000 vehicles, com-pared with 20,500 in 1988 and

17,000 in 1986.

Many of the extra jobs are likely to be filled by workers from the Rover Group's adjoining Drews Lane components

plant, which Leyland DAF is negotiating to buy from Rover.
When the negotiations were
first disclosed, last month,
both parties gave assurances of
job security for affected work-

The Drews Lane plant was once part of Freight Rover and still makes components for

Levland DAF. A joint statement by Rover

postpones float again and Leyland DAF had said that some Drews Lane work would be transferred to other Rover By Raymond Snoddy

plants in the area, at Long-bridge and Solibull. It also said that both newspaper has postponed its planned flotation until next Rover and Leyland DAF planned vehicle production year, mainly in anticipation of a recession in newspaper advertising this year. The float had already been The apparent confidence that all workers could be found jobs is also based on the fact that Leyland DAF is investing delayed to the middle of this

year because of a decision to launch The Independent on Sunday, which produced its third issue yesterday. Mr Matthew Symonds, one of the founders and executive edi-

tor of The Independent, said yesterday that the investors in the paper, mainly institutions, had all been consolted. signed by the two companies in October and final agreement is All editorial staff replacements are being reviewed by Mr Symonds personally and 16 new editorial posts that would

have been created are now

Top commercial property agent named

By Paul Cheeseright, Property Correspondent

BLACK HORSE Commercial has emerged as the largest bommercial estate agent in the UK, according to a league table drawn up by Estates Times, a property industry newspaper. The table lists agents in terms of their numbers of feeterms of their numbers of fee-

earning staff.

Black Horse Commercial has
420 people and is followed by
Jones Lang Wootton with 410,
Chesterton with 335 and Rich-

The largest quoted agent is

tasun, Lancaster, Global and

Other travel agents, includ-

ing Lunn Poly and Thomas Cook, are also offering price

discounts on both winter and summer holidays and advertis-ing them extensively on televi-

Mr Ian Smith, managing director of Lunn Poly, says the company plans to spend some £1.75m in the first two months

of this year on television

advertising of its discounts.

He said: "January has almost always been the peak booking month for holiday-makers from the UK and from

our latest figures it appears

Sol names among its main sub-

Figures produced in the table show that the agents expanded last year to cope with the high level of activity on the commercial property market.

For example, Weatherall Green & Smith, fifth in the overall list, expanded its staff

Debenham Tewson & Chin-

nocks, with a fee-earning staff of 323. It comes seventh in the Estates Times league table.

though, the market slowed appreciably and in isolated cases there have been lay-offs. Anecdotal evidence suggests that staff expansion plans have been reduced and that fewer graduates are likely to be taken on in 1990 than in 1989.

2100m in a new van range, within what is intended to be a joint venture with Ren-

A letter of intent jointly to

It envisages production of

80,000 or more vans a year, shared between France and

Birmingham, and implies a

doubling of van production

develop the new range was

expected shortly.

Common Lane.

The emergence of Black Horse Commercial at the top follows the rapid takeover of estate agencies by Lloyds Bank, a move indicative of the

last five years. Both Jones Lang Wootton and Chesterton remain traditional partnerships, while at Richard Ellis the domestic business is con-trolled by a partnership and its overseas offices are incorpo-

rated. Although the larger agents have been expanding their for-eign networks, Jones Lang Wootton, again in terms of numbers of fee-earning staff, sures on the industry over the sentation of any British agent.

Holiday competition rises as market ebbs

By David Churchill, Leisure Industries Correspondent

COMPETITION among travel that this year will be no excep-

competition among travel agents for a share of the shrinking 1990 package holiday market is intensifying.

Most market estimates suggest that the overall demand for Continental package holidays this year will be down at least 20 per cent, a 2m drop in the number of holidays taken.

A sign of the times was Sattion."
Lunn Poly and other travel companies say demand has picked up since Christmas after the 50 per cent pre-Christ-mas drop in bookings.

Bookings in January for this summer's package deals are running at roughly the same level as last year, according to most estimates. A sign of the times was Sat-urday's one-day sale by Pick-fords Travel of holidays from the International Leisure Group, which includes the "But this is in comparison

with January and February last year, when sales were very sluggish," said Mr Charles Newbold, managing director of Thomson Holidays, the largest UK package tour operator. Sales since Christmas appear to have been strongest in Scot-

land. Mr Roger Heape, managing director of Intasun, believes that reflects the lower rate of owner-occupation in He said: "Demand has been

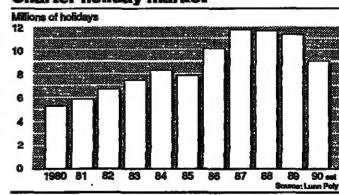
hit by higher interest rates, which, not surprisingly, takes a greater toll on people with large mortgages in the south."

Travel companies also believe that the fall in book-

ings for package holidays to some Mediterranean destina-

tions - especially Spain -

Charter holiday market



reflects changing holiday pat-

Thomas Cook, for example, says that long-haul holidays to the US and Caribbean and short-break holidays are the fastest growing sectors of the travel trade.

Lunn Poly says sales in Jan-uary to Florida are 50 per cent up on last year.

Mr John McEwan, managing

director of Thomas Cook retailing, said: "The demand for short-break holidays grew by 20 per cent in volume last year and does not seem to be

affected this year by the general slump in trade."
He suggests that reflects the fact that many holidaymakers who take frequent short-break holidays are couples with no children or whose children have left home.

Other holiday trends include growing popularity of Euro-pean destinations such as Cyprus and Italy. Mr Tony Le Masurier, chief executive of Citalia, the Italy specialists, says that "the more affluent and older holidaymakers find Italy very appealing."

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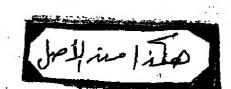
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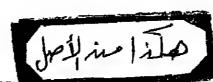
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Comunicación y Dirección

Commons: Private members'

motions. Remaining stages of the Property Services Agency and Crown Suppliers Bill. Lords: Debate on report of pro-cedure committee.

Food Safety Bill, report. Select committee: Public Accounts: subject, inner city regeneration. Witnesses: Sir Terence Heiser, Department of the Environment, Sir Peter Grigson, Department of Trade and Industry, and Sir Geoffrey Holland, Department of Employment. (Room 15, 4.30

ment spending plans 1990-91 to Lords: Human Fertilisation and Embryology Bill, commit-

London Local Authorities (No. 2) Bill, third reading. Committees on private bills: Cardiff Bay Barrage. (Room 5, 10.30 a.m.)

King's Cross Railways. (Grand Committee Room,

FINANCIAL

COMPANY METINGSAvon Rubber, Melichem House, Melichem House, Melichem House, Melichem House, Melichem Lawring, E.G., 10.30

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petual, Phylik Court, Meriow Road, Hentey-on-Thames, Oxfordehire.

POARD MEETINGS-Finale: Fairwey (London) TR Pacific Inv. Tst. Black (Peter) Hidgs Daigety Essex Furniture Howard Hidgs. wild Wind Intl. Second Alliance

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Devenish (J.A.), The Brewers' Hall, Addermarbury Square, E.C., 12.00
English Cries Cays, Hyde Park Hotal, W., 12.30 Westminster Hall, 10.30 a.m.)

Commons: Opposition debate on railways. Lords: Debate on "The state of the North Sea and the need to prevent pollution." Debate on "The need for a select committee to scrutinise all bills coming before Parlia-

ment."

Question to Government on action to reduce traffic obstruction and delays. Select committees: Environment: subject, beach pollution. Witnesses: ICI, Energy and Waste Systems and Sunwater.

Agriculture: subject, fish farming. Witnesses: Conven-tion of Scottish Local Authori-Councils. (Room 20, 10.45 a.m. Energy: subject, fast breeder reactor. Witnesses: Energy Department officials. (Room 8,

Employment: subject, tourism. Witnesses: Historic Houses Association and North West Tourist Board. (Room 20, Home Affairs: subject:

Herdy's & Hermone, Kimbe ery, Nottingham, 11.30 FOARO MEETINGS

Anales Anales Egerton Tet. Reuters Hidgs. Avon Rubber 11.5p Devenish (J.A) 3.7p

Fighguard & Rossiere Riys & Hors 312 % Ced Six 1225p Gibbon Lyons 1.8p Lethem (James) 4.25p M. & G. European General Fund 0.7p Southend Property Holdings 1.2p WEINESDAY FEBRUARY 14 COMPANY MEETINGS-Control Techniques, Howard Hotel, Control Techniques, Howard Hotel, Temple Place, W.C., 12.00

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Halkin Street, S.W., 11.00
Plexello Cartara & Wheels, Holiday
Int, Langley, Berkshire, 3.00
Radio Glyde, Clydebank Buelness
Park, Chydebank, 10.30
Spectrum, Epping Post House Hotel,
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Tenen Allertings EXPING, 10.00 BOARD MEETINGS Plantie: Beneral Consolidated inv. Tet. Leuile Wiee Group Scattleh American Inv. Co. REP Industrial Hidgs.

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Crown Prosecution Service. Witnesses: National Association for Victims Support Schemes and National Association for the Care and Resettle-ment of Offenders. (Room 15,

Public Accounts: subject, Northern Ireland matters. Witnesses: officials from the Northern Ireland Departments of Health and Social security, Finance and Personnel, Environment and Agriculture, the Housing Executive and Dr W. Jack, Comptroller and Auditor General for Northern Ireland. (Room 6, 4.15 p.m.)

Social Services: subject, community care. Witnesses: Royal College of Nursing and Royal College of Psychlatrists. (Room

Procedure: subject, the select committee system. Witnesses: Professor Garel Rhys of Cardiff Business School, Dr Michael Rush of Exeter University and Professor Phillip Norton of Hull University. (Room 16, 4.30

Treasury and Civil Services subject, Valuation Office. Wit-nesses: Mr R. Shutler, chief valuez, and officials. (Room 8,

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4.30 p.m.) Committees on private bills: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.)

King's Cross Rallways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Commons: Education (Student Loans) Bill, remaining stages. Lords: Criminal Justice (International Co-operation) Bill,

Contracts (Applicable Law)
Bill, committee. Pensions (Miscellaneous Provisions) Bill, second reading. Gaming (Amendment) Bill, second reading.

Committees on private bills: Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.)

Question to Government on

action to resolve the ambu-

King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Commons: Private members'

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International Toy and Hobby Fair (01-830 7251) (until February 14)

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International Confectionary, Chocolate, Biscuit and Pastry Exhibition - INTERSUC

February 22-25 International Sports Equip-ment & Feshion Trade Fair — ISPO SPRING (01-940 4625)

International Bost Show Macch 11-17

Business and management conferences February 12.13

Financial Times: Commercial aviation in the Asia-Pacific region to the end of the century and beyond (01-925 2323)

February 13-14 National Materials Handling Centre: Warehouse & distribution software conference - technology for profit (0234 750323)

Ramada Inn, West London

Design for Europe conference (01-223 8034) QEII Cout Centre, Loudon Pehruary 16 CBI Conferences: Legislation behind the Social Charter

Centre Point, London Pebruary 19 Technology Forum: Risk esement techniques and fire Solisty (01-519 4105) London Tara Hotel

Information for Energy Group: trust issues in tod Oil price information (01-636 (NY 212-759 0900)

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

February 13-15 bruary 28-March I Corporate Computer Security 90 International Exhibition Northern Wine and Spirit Trade Fair (01-637 2400) G-Mex Centre, Manche March 4-6 International Automotive Parts

February 13-15 The Property Business Enterprise 3 (01-834 1717) & Accessories Trade Show -AUTOPARTAC (01-302 8585) Barbican, London February 20-22 March 41

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and performance related pay for executives and employees Cafe Royal, London Feberuary 22 Tolley: International tax plan-ning conference (01-680 5682)

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The Federal Government of Nigeria has applied for a credit from the International Development Association (IDA), equivalent to One hundred and twenty million US dolars (\$120 million), towards the cost of the Federal University sector Adjustment

Of this amount, thirty-seven million (\$37 million) US dollars will be available for books and journals procurement over a four (4) year period, terminating on 30th June, 1994. The maximum journal investment has been set at twelve million (\$12 million) US dollars and twenty-five million (\$25 million) US dollars for

It is intended that the proceeds of this credit will be applied to payments for the contracts for which, this Bid notification is issued.

Payments by the IDA will be made upon approval by the IDA of an application presented by the National Universities Commission, in accordance with terms and conditions of the credit Agreement and will be subject in all respects to the terms of

Bidding Documents will be made available through application to or enquiries from the following; on the payment of a nonrefundable deposit of one hundred and fifty (\$150.00) US dollars; as from the 14th of February, 1990.

(i) The Executive Secretary, National Universities Commission, National Assembly Complex, Race-Course, P. M. B. 12694, Lagos, Nigeria.

(ii) The Education Attache, Nigerian Universities Office, 180 Tottenham Court Road, London W1P 9LE

(iii) Nigerian Education Attache, Nigerian Universities Office, Embassy of Nigeria, 2010 Massachusett Avenue, N.W.

Washington DC, 20036 USA. Completed bid documents should reach the Executive Secretary, National Universities Commission, Lagos on or before 12.00 p.m. 30th March, 1990

FEDERAL REPUBLIC OF NIGERIA: **NATIONAL UNIVERSITIES COMMISSION** FEDERAL UNIVERSITY DEVELOPMENT SECTOR ADJUSTMENT OPERATION: INVITATION TO TENDER FOR EQUIPMENT AND MAINTENANCE

SPARE PARTS PROCUREMENT AGENTS The Federal Government of Nigeria has applied for a credit from the International Development Association (IDA), equivalent to One hundred and twenty million US dolars (\$120 million), towards the cost of the Federal University sector Adjustment

operations. Of this amount, fifty-two million (\$52 million) US dollars will be available for new Equipment and Maintenance spare parts procurement over a four (4) year period, terminating on 30th June, 1994. The maximum New Equipment investment has been set at twenty eight million (\$28 million) US dollars and twenty-four million (\$24 million) US dollars for maintenance. spare parts. It is intended that the proceeds of this credit will be applied to payments for the contracts for which, this Bid notification is

Payments by the IDA will be made upon approval by the IDA of an application presented by the National Universities Commission, in accordance with terms and conditions of the credit Agreement and will be subject in all respects to the terms of that Agreement.

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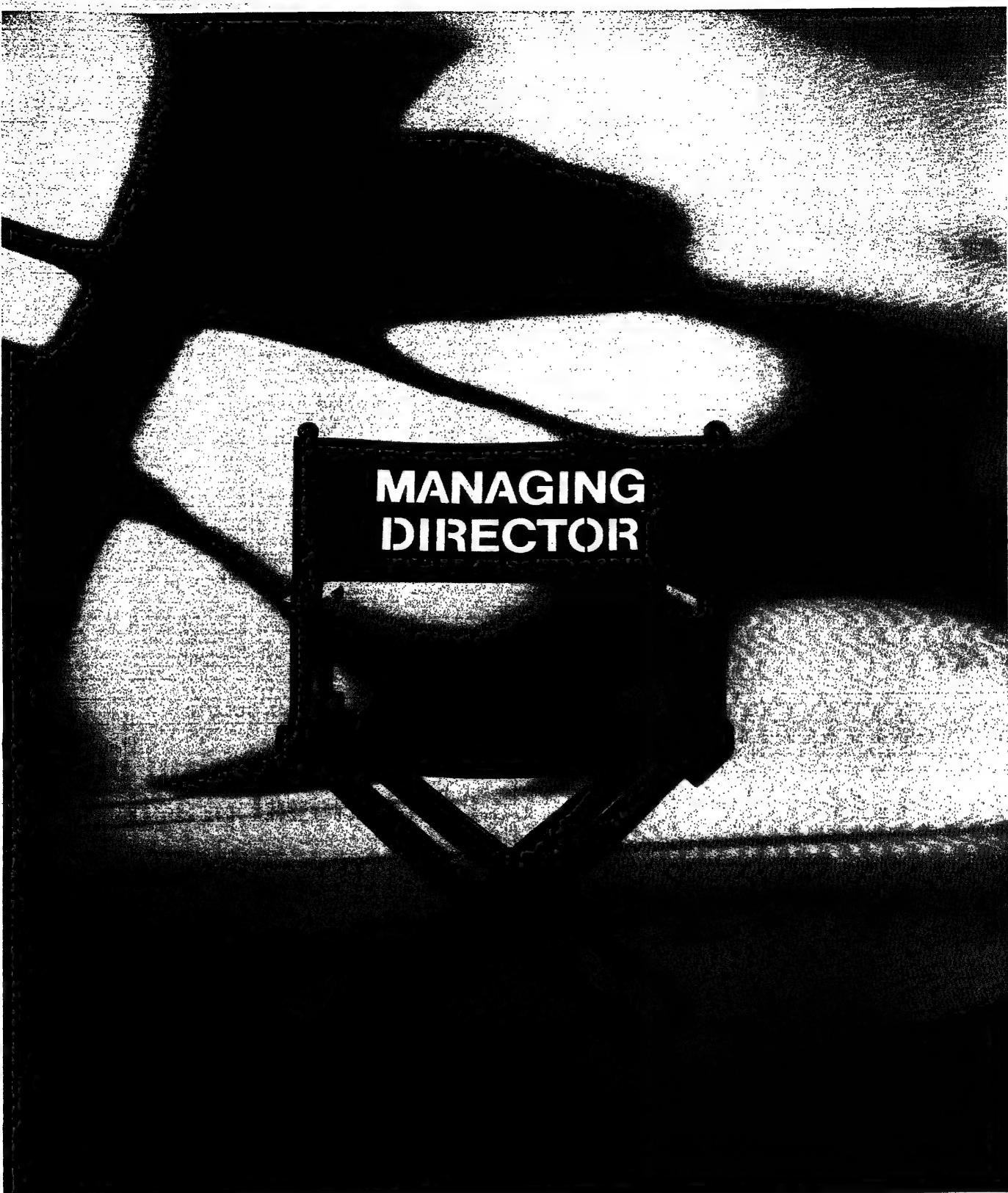
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AB decided to import the pistons, but to do this it needed a document signed by the piston supplier showing that the goods to be imported could not be made in Romania. The piston supplier did not sign the document because its official plan showed that it did make pistons. There were no pistons and no lorries

This sad but typical tale of the late Nicolae Ceausescu's obsessive hatred of imports and the disaster of prerevolutionary central planning is told by Ion Taflan, who is in charge of international co-operation at AB's fac-tory of more than 20,000 workers in the industrial town of Brasov. There are many similar stories in Romania, like the one about the Romanian shoes which fell apart for want of a few dollars' worth of imported gine. "All economic life was suffocated," says Taflan.

The truth about Romanian industry

 pollution, poor working conditions, bogus production figures, and inade-quate or misdirected investment - is beginning to emerge following the overthrow of Ceausescu in December. Everybody knows what went wrong, but nobody is sure what to do next to reform a network of huge and inter-dependent state enterprises. Various radical liberalisation measures are being considered - and in some cases implemented - by the interim government and by individual state com-

Privatisation of all but the smallest firms in Romania is likely to mean foreign investment. The domestic private sector - with the exception of a few tailors, shoe-repairers and vegeta-ble farmers – has been eradicated by rule. Foreign investment, however, could lead to unacceptable job losses in the heavy industries favoured by Ceausescu, and the government is not sure whether to insist on a majority Romanian stake in joint ventures when it publishes investment guide-lines and regulations in the future.

In the meantime, the provisional government has moved quickly to demolish the rigid apparatus of central planning and to allow each state enterprise a measure of autonomy.

In 1969 AB had bought MAN technology from West Germany, but since then it had found it increasingly difficult to make international contacts and to adapt to the needs of customers and the vagaries of the market.

Some of AB's foreign clients even smuggled their own paint to the Bra-sov factory in under the counter deals to ensure that their trucks were the right colour. The deal benefited both sides - the clients got cheap lorries with a discount for supplying the paint, and AB was able to export its Romanian manufacturing

No pistons at dawn

Victor Mallet assesses the challenges facing the state-owned truck maker



the Romanian peasants who are taking over co-operative land; it has 10,000 in stock

goods despite the regime preventing it importing a few dollars' worth of pla-

ment for the paint. The nearby UTB tractor factory which also has some 20,000 employees

was once told to make tractors for Syria, only to find that there was no contract and no sale.

Those days seem to be gone. The authorities have told state companies that they can make their own approaches for sales and purchases in Romania and abroad, and UTB is already considering the sale of the tractors made for Syria to the Romanian peasants who are taking over co-operative land. It has stocks of

10,000 tractors.

Many questions remain unanswered. Who, for example, will control access to foreign currency and at what rate of exchange will it be bought and sold? What will be the role of barter and of the foreign trade organisations which have been man-aging external deals? "We have to try to decentralise the

economy within the old central frame-work at first, because people are still waiting for instructions," says the overworked Bogdan Teodoriu, who is grappling with these problems at the government's headquarters in Bucharest. "The laws are not in place for an entirely free system," he says. "There are so many links between the various enterprises in the country that if we begin to privatise quickly

there will be chaos."

Strict plan targets are to be scrapped, but the state will continue he about their production in any case, and shortages of electricity and raw materials meant that in 1989 AB made only 14,000 Dac and Roman lorries (less than half the planned number). About 6,000 were exported to customers such as Cuba, China and Poland. UTB was reluctant to give figures, but said it was producing well below its capacity of 65,000 tractors a year and had achieved only half its

planned exports last year.

The potential profitability of Romanian industries is difficult to estimate because market forces were suppressed or distorted by Ceausescu. There is, for example, a shortage of buses and trucks in Romania, but the enterprises responsible for buying them were not given permission to do

For exporters, there is the added problem of currency conversion. Dion-isle Hodirnau, AB's financial director, says the company was sometimes dis-couraged from fulfilling orders by spe-cial exchange rates fixed by the state. Although the commercial exchange rate was about 15 lei to the dollar, the factory received only 12.5 let per dollar for its truck exports and as little as 4 lei per dollar for spare parts.

The new authorities told us that

they would assure electric power and

it we are free to choose our range of lorries," he says, "We are free to make contact with other countries, but first we have to get in touch with the companies which collaborate with us in Romania to see if they can are us of what we need."

At UTB, Anrel Pop, head of the export department, sees the possibility that the functions of Universal Autotractor — the foreign trade organisation for UTB and AB — will be absorbed into UTB's operations.

This activity of direct contact is not yet organised here," he says. "We don't know what will happen to [Universal Autotractor] in the future. This

is a matter for the government."

If government policies after the revolution are hesitant and confused, the situation on the shopfloor is not much better. Brasov is famous as the scene of a brutally-suppressed strike for bet-ter conditions under the Ceausescu dictatorship in 1987, but the town's factories seem as grimly Dickensian as ever. In AB's smoky and bitterly cold assembly-line building, workers times round a maleshift stove made out of an oil barrel.

Salaries vary according to plan fulfilment, although the government agreed to pay January's wages in full despite the shortfalls caused by power cuts and revolutionary turmoil. It has also promised a five-day week d of the current six-day week with a long weekend once a month)

and spoken of higher wages for min-ers and others in difficult jobs.

It is too early to tell if Petre Roman, the Prime Minister, who has taken on the raine minister, who has taken on the task of promoting an industrial revival, will succeed in improving workers' rights and working condi-tions at the same time as restoring profitability, replacing old technology and ensuring a smooth flow of raw

From President Ion Iliescu down-wards, members of the administration have expressed concern about the effects of liberation on the workforce. and they have urged people to put their noses to the grindstone. All over the country managers disliked for their affiliation to the discredited Communist Party of for their incom-petence have been fired by commit-tees of workers loyal to the National Salvation Front which took power at

The committees have elected new managements, even if in practice many senior officials have remained to their posts because there is no one in replace them. Theoretically, therefore, employees and the management are on the same side while the gov-ernment tries to draft some labour

and trade union legislation. The attitude of the workforce will be crucial for the success or failure of industrial reform in Romania. There is said to be no shortage of basic technical skills, but workers immersed for years in the propaganda of a ruthless Communist dictator show an ingrained distrust of capitalism, of foreigners and of profes

Among the more startling aspects of Romanian society are the deep class divisions between those who categorise themselves as workers and those who call themselves intellectuals. Wages are much the same for doctors and scientists as for labourers and miners, and professionals seeking to explain their contempt for the working class say they can only essert themselves by flaunting their education.

Romania's reforms will take a long time, and everything from industrial quality control to state companies' uninspiring attempts at marketing will need to be overhauled. Some Romanian products — special steels for example — are regarded as high quality, but finished products have been given a bad name by misguided attempts to make every component at

Looking far into the future, Bogdan Teodoriu in Bucharest is contemplat-ing the prospects for industrial specialisation and the idea of employees owning shares in their enterprises. Our technology is of a very low standard, or rather of a very unequal standard in different sectors," he says. "A big mistake of the Conuscect system was the development of too many sec-tors, especially in industry. There was chaotic import substitution in so many fields. I think in the long tarm the solution for Romania is to speci-

Informed visionaries needed at the top

Alan Cane reports on effective use of IT

serious and, it seems, disproportionately heavy responsibility where information technology is concerned. Surveys suggest that subordinates believe the boss's attitude to IT to be the single most important factor in determining whether the organisation uses the technol-

organisation uses the technical copy effectively or not.
Yet for the most part, top executives are singularly illurepared to deal with IT. As Cyrus Gibson and Leslie Ball of the Index Group point out in a recent paper*: "Neither expe-rience nor formal education has equipped them to make good IT decisions. Few senior managers today have been rotated through the informa-tion systems function. Business school courses in comput-ers mostly still focus on the mechanics of the technology rather than its creative application to business problems.". The result, Gibson and Ball suggest, is that senior managers develop fixed patterns of behaviour where IT is con-

They identify five distinct kinds of thinking - "mindscapes" is their word - among business leaders, none of which is likely to generate a healthy approach to IT in their

after the "phobics" who abhor computers. They shun new systems and upgrade their existing systems only when absolutely necessary. They have an inflexible belief in the "old fashioned way of doing things"; in IT terms they are so far behind the times that they run the risk of operational

Almost as bad are the "penny-pinchers", who go along with IT investments but look continually for ways to cut costs in a manner which is counter-productive. This approach, Gibson and Ball anggest, can drive computer activi-ties underground as subordi-nates hide their IT expenditure to avoid censure. On the other hand, a penny-pincher can be a useful counter to a function with technology for its own

are enthusiastic about IT may be misguided. The "automatool for cost savings and will

hief executives bear a not approve technology propos-serious and, it seems, als that offer unquantifiable returns. Automators have no time for lap-top computers for sales staff or executive infor-mation systems for senior managers; they are really only interested in using computers to eliminate people.

"Hackers", on the other

hand, are anxious to spread the gospel of personal computing throughout their organisation According to Gibson and Ball, they are mechanically minded and self-taught "avid users of spreadsheets, word processing and electronic mail". The problem is that hackers tend to see all a company's data process-ing problems in personal computing terms. They see main-frame-based systems as unwieldy, inflexible dinosaurs and may try to force fit systems onto PCs incapable of

carrying the load.

Last, there are the "visionary" managers who equate advanced technology with good technology. Their enthusiasm for the latest computer systems blinds them to their allure to understand the problem the technology is supposed to fix or the organisational changes involved in introducing it. Gibson and Ball cite the banks' unavailing efforts to integrate their computer systems in the 1970s and 1980s. They failed because the tech-nology was simply bolted onto the existing organisational

structure. The model chief executive. Gibson and Ball say, should be an "informed visionary", an individual who not only understands the basics of IT but who is committed to a long-term vision of a company where technology planning and busi-ness strategy are tightly wed-ded and who has the personal credibility to inspire others to follow his or her lead.

Corporate reorganisation, Gibson and Ball say, offers subordinates an opportunity to emphasise competitors, use of IT; they underline the impor-tance of opportunism. Without informed visionaries in the saddle, success in IT will be occasional, unplanned and me as a great surprise to the top brass.
*Indications. Vol 6, No 6.

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New City law firm plans multinational practice

LEGAL COLUMN

By Robert Rice, Legal Correspondent

THE GLOBAL law firm debate moved a step further last week with the announcement from US lawyers, Condert Brothers. that they are to join forces with a specially created City law firm in anticipation of the first multinational partner-

The new firm, Beharrell, Thompson & Co, is being formed by Mr Steven Behar-rell, 45, a senior pariner of Denton Hall Burgin & War-Denton Hall Burgin & Warrens, and Mr Hugh Thompson, a partner of Lawrence Graham. The firm will practise from March 1, in association with Coudert, from their London offices until the statutory but on English solicitors forming multinational partnerships has been removed by the Courts and Legal Services Bill and the Law Society has issued rules on the subject.

Mr Beharrell expects it will be 18 months before the new rules are in place. The new firm will then amalgamate

rutes are in place. The new firm will then amalgamate with Coudert's London practice. Meanwhile, both will join the Coudert international partnership, which has 16 offices in 11 countries in five continents, including offices in the Soviet Union and China.

By the end of the year the

By the end of the year the firm expects to have about 10 solicitors working alongside solicitors working alongside six US attorneys. They are looking for a cross-section of experience — three solicitors with four to six years experience after qualification and the next het were and and the rest between one and two years qualified.

Five years later Mr Bebarrell envisages the Condert London office having at least 35 solici-tors plus a number of US attorneys and EC lawyers. Growth in London will be kept in pro-portion with growth in Cond-ert's Paris and Brussels offices. The kles is "to create a community of lawyers which can offer a package of expertise to clients," he said.

"It will be a new way of practising law." All the big law firms are poz-zing over how they can best provide the truly international ide of their practices and serve clients' needs. "Couder is at the cutting edge of this,"

Mr Thompson said

Beharrell Thompson will build up its own clients but will effectively add an English

law arm to Condert's London

operations. Mr Barry Metzger, Coudert's resident London partner, lists his firm's London work as that of representing UK companies seeking to invest out of the UK into the US, the Continent or the Soviet Union; international finance; aircraft finance; an increasing volume of work for Japanese clients; London-based international transactions; and a certain volume of investment

into the UK.
One of the surprising aspects of the deal is that Coudert has been able to entice Mr Behar-rell away from such a senior position within Denton Hall, one of the fastest growing City firms, where he started as an articled clerk in 1963.

The Coudert approach may set a trend for other US law firms

Denton Hall is "sorry to lose him." Privately, the news seems to have come as a bit of a shock, although less so than it would have been five years ago. Nowadays it is not unheard of for senior partners to leave firms with which they have spent most of their have spent most of their careers. After 25 years with one firm, the attraction of a new challenge in mid career can prove irresistible.

Denton suspects that the Coudert approach may set a trend for other US law firms, although the extent to which it encourages imitators will depend on whether the Ameri-cans are prepared to invest huge sums of money to attract

huge sums of money to attract the senior people they need.

Mr James Sitrick, Coudert's executive chairman, believes "this is something new in the City – the first firm of its kind in the UK offering the complementary practice skills of European, English and American lawyers," although no doubt the partners of Baker & McKenzle, London, part of the world's largest law firm, would take issue with him on that.

Although the statutory ban Although the statutory ban

will go, the introduction of multinational partnerships, particularly those with lawyers from non-EC member states, is still by no means certain.

The Law Society's consulta-tion paper on regulation of multinational partnerships identifies issues that have still to be determined. The society is very conscious of the number of US law firms in particular that are looking at the possibility of forming partnerships in Europe to establish a position in the single Furnment. tion in the single European market by 1992.

The society's international committee has taken the initial view that further consideration of whether to allow partner-ships between English solici-tors and lawyers from non-EC tors and lawyers from non-EC member states should be postponed until progress has been made in resolving some of the
outstanding practical difficulties of allowing multinational
partnerships with EC lawyers
— things such as appropriate
disciplinary machinery, rules
of conduct and identifying
reserved practice areas for
English solicitor members.
In principle the society

in principle the society favours allowing multinational partnerships with non-EC law-yers on the same basis as the regime that is finally established for regulating links with lawyers from EC member

However, there are some sig-nificant concerns with non-EC multinational partnerships that may necessitate different

In relation to cross-border In relation to cross-border links with other EC lawyers, the society has concluded that it would be inappropriate to require the partnership to be controlled by the English solicitor partners largely, it seems, on the basis that such a requirement wight he controlled. requirement might be contrary to EC law.

EC law does not apply in the context of multinational partnerships with non-EC lawyers, though, and the society is undecided about whether it should require such partner-ships with non-EC lawyers to be controlled by English solicitor partners.

Such a requirement would effectively exclude a foreign, non-EC law firm from taking one or two English solicitors into partnership in the UK.

"In favour of such a require-ment," the society says, "it might be argued that it is necessary to protect the integrity of the English legal system if there should be a very large influx of non-EC law firms which might effectively seek to take over control of a substan-tial sector of the English pro-

However, perhaps more wor-rying for firms such as Coudert is the issue of reciprocity. The society is also undecided on whether reciprocity in the home state of the potential partner in the multinational partnership should be required as a precondition for allowing partnerships with lawyers of partnerships with lawyers of that jurisdiction. In its response to the Gov-

ernment's law reform proposals, the society's governing council argued that it should at least have the power to impose such a condition if nec-

That is particularly relevant in the US context, where at present it is only possible in nine states for English solicitors and other foreign lawyers to practise as foreign legal consultants without having to become members of the State

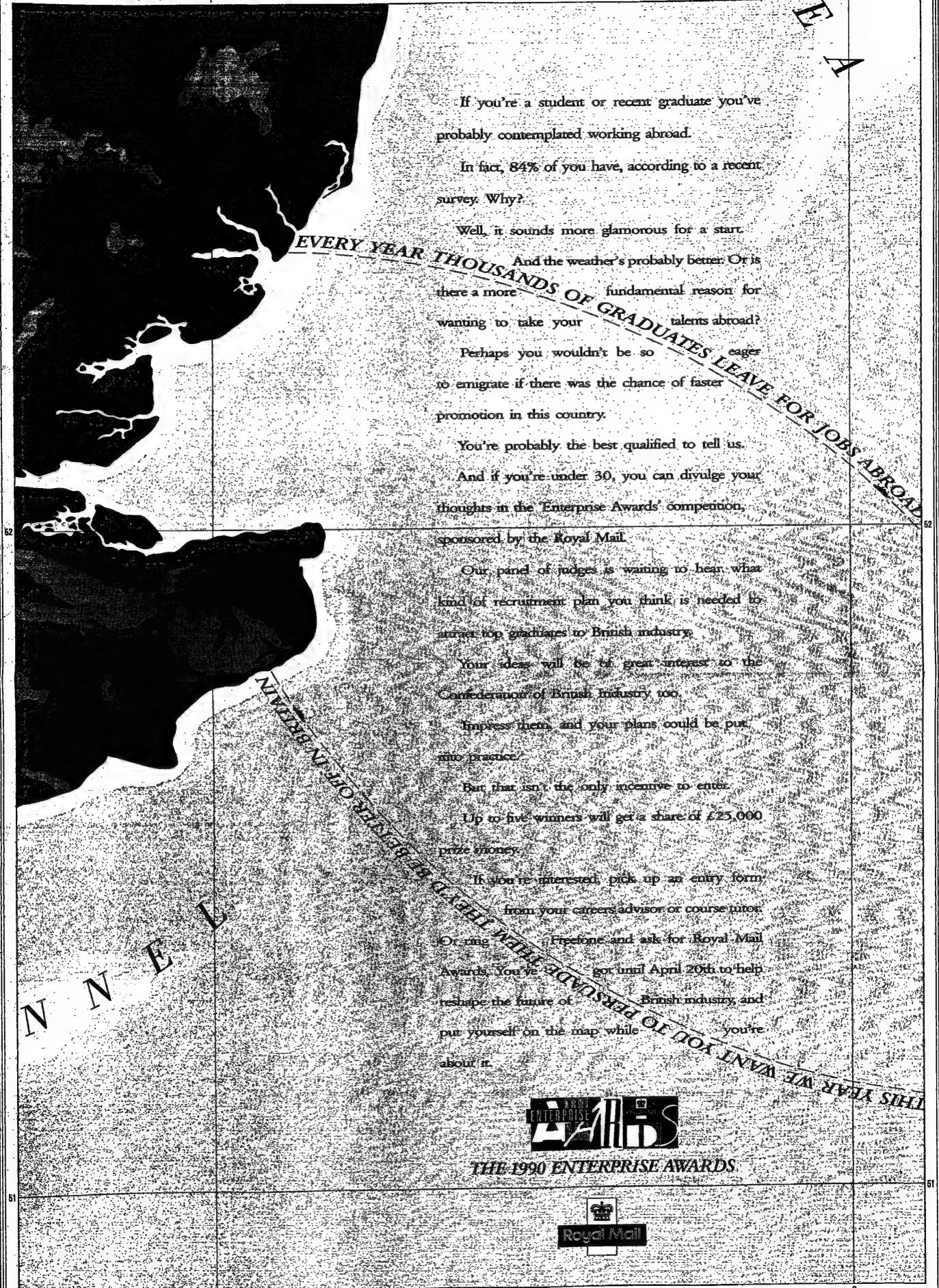
Even in those states it is not certain whether the rules are interpreted to allow partnerships between members of the State Bar and foreign legal consultants.

The society's present posi-tion appears to be that in order to safeguard the competitive position of the English legal profession worldwide, recipro-cal rights are needed. It should generally be made a small in generally be made a condition that before multinational partthat before multinational partnerships with lawyers of non-EC jurisdictions are allowed, English lawyers get equivalent rights in the home jurisdictions of those lawyers. The society also wants the power to dispense with such a condition where the balance of arguments favours it — for

arguments favours it - for example, where there is no demand from English solicitors for multinational partnerships in the other jurisdiction con-

Beharrell Thompson & Co may have to co-exist alongside Coudert Brothers in London for considerably longer than narig top





Superstore in Coventry

BOVIS CONSTRUCTION, a P&O company, has been awarded a £7.6m contract by Safeway to build a superstore

in Coventry. Situated on the site of a car park in Holyhead Road, the single-storey building will have a flat roof with a slated pitched

mansard perimeter.

Customer amenities will include an area for franchise businesses, a coffee shop and restrooms with baby care facilitles. Staff and office areas will total some 3,000 sq ft and will be located on the ground floor and a mezzanine floor built

above customer toilets. Cold and freezer food storage facilities will be located in a 6,000 sq ft store room made accessible by two loading bays and two waiting bays. External landscaping will

include the provision of a 455 space car parking area with access for local buses and taxis. Work will start shortly and the project will be finished

CONSTRUCTION CONTRACTS

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Hunting Gate Developments has awarded a £19.3m construchas awarded a £19.3m construc-tion contract to HUNTING GATE DESIGN & BUILD for four units of B1 office accom-modation, totalling 124,000 sq ft, adjoining ICTs 150,000 sq ft headquarters complex for ICI Films, at Shire Park, Welwyn Garden City.

in size from 20,000 sq ft to 40,000 sq ft and include full air conditioning, raised floors and atria which form entrance forers. Surface car parking of one space for every 250 sq ft of accommodation will also be provided. Construction has

Representing Phase II of the started and completion is due office park, the buildings range in the spring. in the spring.

The project is part of a \$40m package which includes con-tracts of £14.5m and £7.2m for a 74,000 sq ft air-conditioned office building at 38, Clarendon Road, Watford and an 80,000 sq ft office building on the Emway site in Peterborough.

£40m orders won by Turriff companies

TURBUT CONSTRUCTION has been awarded £40m worth of contracts. Turriff Projects has won £23.4m of design and build work including a £9.2m con-tract from London and Telford Developments, a subsidiary of Coordinated Land and Estates, to build six steel-framed office blocks with brick cladding in Central Park, Telford. The development will consist of five two-storey blocks and one four-storey block with the company also being responsible for the major internal work.

At Salford, St Modwen Developments has awarded a

At Telford a £3.7m design and build contract has been negotiated for a joint venture between Turriff and Chartered West L B. Further contracts at Telford include a £2.5m contract for a warehouse with office and ancillary areas for NEC Technologies (UK) and a three-storey office block for Telford Development Corpora-

tion valued at £1.7m. Turriff Midlands has obtained 28.4m orders includ-ing a 21.7m contract from West

Building business facilities in Harlow

WATES CONSTRUCTION sidiary of ARC Properties. The (EAST) has been awarded a film contract for Phase 1 of the Harlow Business Park by Harlow Business Parks, a sub-

\$4.8m contract for 43 single and four-storey steel framed industrial and commercial units.

At The four a second design of Russells Hall Hospital at

Overley Properties (Heron Hi-Tech) has awarded a £1.4m contract for the construction of a mixed terrace of two to four-storey offices with undercroft and surface parking.

Redditch and Walsall metropolitan councils have each awarded £1.1m contracts: at Redditch for 85 sheltered dwellings and at Walsall for the tax offices around the borough.

totalling 15,400 sq metres. The units will have an in situ concrete frame with a structural steel roof on pad and beam

Carlisle courts complex

LAING NORTHERN, part of John Laing Construction, has won several contracts worth more than fine. The company begins work shortly on the Carlisic combined courts centre for the Property Services

Agency.

The contract, worth \$5m, involves the building of four courtrooms, a registrar's chamber plus offices, library, judges chambers, jury and witness areas, custody area, dining facilities and other ancillary. lary accommodation. Construction is scheduled to

The building will be sup-ported on bored cast in situ pile foundations and has a reinforced concrete frame up to second floor level with structural steel frame thereafter. The contract includes mechanical and electrical services and external works.

Also in Carliale, the comnearly £500,000 from Cariisle City Council to modernise

some local housing.
Northumberland County Northumberland County
Council has awarded a contract, worth nearly £600,006,
for the refurbishment of Hepscott Park in Morpeth. The
small works team has started
work on a £200,000 contract to
refurbish a shopping mail in
Cramlington for Cramlington

APPOINTMENTS

Treasurer of Ford of Europe

■ Mr Henry Wallace has been appointed treasurer of FORD OF EUROPE. He was previously a finance director for Ford of Kurope Product Development and succeeds
Mr William Cosgrove, who
has taken up a senior post with
the company in Brazil.

Mr Nichalus Cumber managing director of Kode Computers, and Mr Alex Ross managing director of KAM Circuits, have been appointed to the board of KODE INTERNATIONAL se executive directors.

Wir A.H. Cliffon has been appointed managing director of COMMERCIAL UNION ASSET MANAGEMENT from March 1. He was managing director of RBC Dominion Securities International, and succeeds Mr M.A. Evans who becomes deputy chairman, and as general manager (investments) of the Commercial Union Group assumes additional responsibilities.

 LESSER LAND has as development director. He was development surveyor at Taylor Woodrow Property Co. ■ BUCK & HICKMAN, a member of the P&O Group, has appointed Mr Peter Lezenby to the board as commercial director. He was commercial manager.

■ Mr David Misen has been . appointed director, dealing services division, NATWEST STOCKBROKERS, to be responsible for sharedealing services through the branch network, including the Touchscreen service. He was customer services director at Barclayshare.

Mr Brian Kennerley has been made managing director of PHILIPS WHIRLPOOL MAJOR DOMESTIC APPLIANCES from March L He rejoined the company a year ago as commercial director.

LAWSON MARDON GROUP has appointed Mr Peter L. Elippett as financial director, LMG York, from April. He is financial controller of the group's flexible packaging division.

■ HOARE COVETT CORPORATE PINANCE appointed Mr David Reed as a director heading the new cross-border mergers and acquisitions team, and advising on take-over defence. He was with Prudential-Bache.

MALITOS COMPUTER SYSTEMS has appointed Mr Colin Goble as managing director. He joins from the company's corporate headquarters in California.

Manufacturers Hanover sets up media unit

HANOVER has set up a new unit in London to meet the

meds of European media companies. It will be headed by his Joan M. Fitzgibbon, a senior vice president, transferring from a similar unit in the company's North American division. Joining the new unit are Mr. Todd

new unit are Mr Todd Plunkett, assistant vice president, Mr Stuart Marshall, vice president, and Mr Richard Bridgwood, manager of Manufacturers Hanover Trust Co in London.

TAY HOMES, Leeds-based

housebuilder, has appointed for Richard Hanwell as a

non-executive director. He was formerly chief executive of

Norton Opex for seven years.

■ BEAVERCO, specialist foam and consumer products manufacturer, has appoint

Mr Geoffrey Gorling as divisional director of the consumer division responsible for Aronstead, Body Sculpture,

Headway and Frameway. He

SILVERMINES GROUP bas

appointed Mr John O'Neill as its full-time executive

chairman. Mr Padraic Burke and Mr Clem Jansen have become executive directors.

LADBROKE GROUP has appointed Mr Michael Hirst

(above) as chairman and chief

executive officer of subsidiary Hilton International Co. He is

a director of Ladbroke, and was deputy chief executive officer of Hilton. Mr Hirst

succeeds Mr John Jarvis who will be leaving the group next month to start his own UK

NU-AIRR Caerphilly, has appointed Mr Gordon Barels to the board as sales and

m Mr Chris Romer has been promoted from managing director to executive chairs

of CENTURY ALUMINIUM CO, and Mr David Holden

moves from financial director to managing director. The

company is part of the Hydro Aluminium Group.

appointed Mr Michael Goldin as head of research. He was with City Research Associates. Mr Tom Carney becomes marketing director. He was with Dewe Rogerson.

Mr Roger Farrance, deputy chairman of the Electricity

Council, has been appointed chairman of the

BRITISH INDUSTRY'S health and safety policy committee. Mr Christopher Hampson, a

director of Imperial Chemical Industries, becomes chairman of the CBI's environment

CONFEDERATION OF

■ PULCRUM GROUP has

marketing director.

joins from Wilkinsons

Furniture where he was production director.

MANUFACTURERS

■ BAIN CLARKSON, part of Inchcape, has appointed Mr Thomas G.V. Roberts as chairman of its marine and energy divisions. He was with Leslie & Godwin, and joins the boards of Bain Clarkson, and Bain Clarkson



Mr Manfred Nissen (above) has joined POLLY PECK insternational as director-leisure division. He was previously with Swissair Nestle Swissotel where he was president and chief executive.

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Fig. Supplement

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HERON INTERNATIONAL has appointed Mr David Hali as commercial director for Heronfreight, the group's distribution division. He joins from Christian Salvesen where he held a similar post...

Mr Peter Pordage has been appointed company secretary of R. MANSELL, Croydon.

■ Lord Waterpark has been appointed chief executive of CSE AVIATION, Oxford.

 Mr Louis Sherwood, former chairman and chief executive of Gateway Foodmarkets, has been appointed a non-executive director of BRITISH FUELS

E Mr Swarup Choudhury has been seconded for two years from HongkongBank to MIDLAND BANK's corporate where his duties will include discussing financial matters with the local Asian business community. He was a corporate banking manager with HongkongBank in Madras, India. HongkongBank has a 14.9% investment in

 BRITISH ARROSPACE has appointed Miss Frances Elliott as director of government affairs. She was policy and government relations director of the Rover Group.

ARGOS, part of B.A.T. Industries, has appointed Mr John Hampson as director of distribution, and Mr Terry Wardle as director of stores.

managing director-PLAXTON GROUP. He has been chief executive since 1985. m Mr Nicholas Morrill and Mr Mark Johnson have been

promoted to directors of

Robert Wood has been

appointed to the new role of

RUTLAND CORPORATE FINANCE. Crane and excavator manufacturer, R-B (LINCOLN). a wholly-owned subsidiary of the Lincoln Industries Group, has appointed Mr Alan Austin as manufacturing director.

Braithwaite Dosts

BRAITHWAITE has appointed Mr D.E.A. Crowe as a non-executive director. He is a senior partner with Gouldens, City solicitors. Following the integration at Andrews Sykes, integration at Andrews Sykes, the group's major subsidiary, Mr John Andrews will retire as chairman of that company from March 31. Mr Peter Webber has been appointed managing director of Andrews Sykes, and Mr Andrew Fitton will become non-executive chairman of the company. Mr Andrews will remain a Andrews will remain a non-executive director of Braithwaite, and a consultant Braithwaite, and a consultant on Andrews Sykes overseas business. Mr Ken Linden-Travers, a director since 1986, will become chairman of Braithwaite from March 1, succeeding Mr John Nutt on his retirement



ROYSCOT DRIVE, vehicle management services arm of RoyScot Finance Group, has appointed Mr Howard Pemberton (above) as managing director. He joins from Dial Contracts, where he was operations director. Previously he held a similar post at Swan National Leasing. post at Swan National Leasing

Introducing a choice of lounges in true Luropean tradition.

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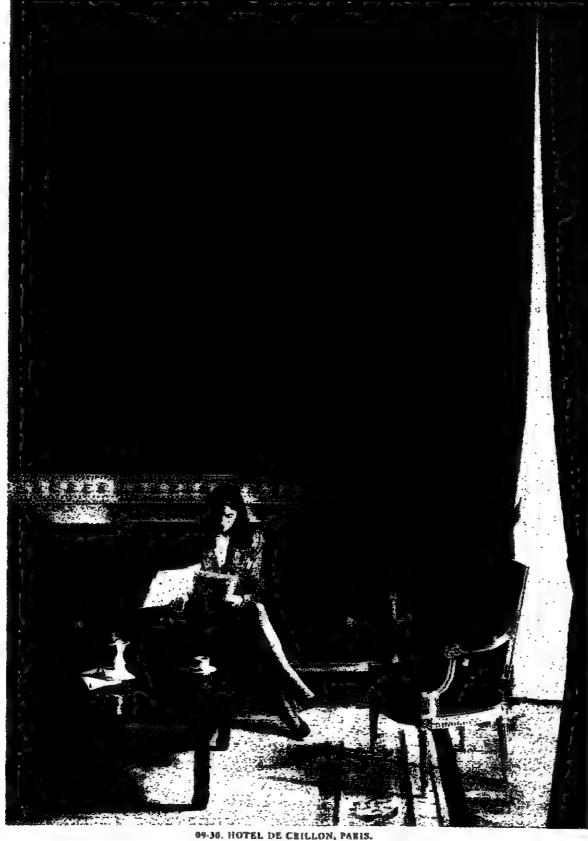
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epitomises that very English characteristic of holding unshakable principles apologetically. The traditional rocker of the Anglican boat has been zeal. Significantly, enthusiasm became Enthusiasm, an aberration for our ecclesiastical forebears. But David Hare's new play points out other devils: reticence that congeals into moral neutrality, the unholy alliance between conservative reaction and new-style fundamental evangetion and a dash of the gutter press' fascination with the "gay Mafia" and the scene is set for a gentle biopsy of the old spinster aunt we still tolerate with amused embarrass-

This is that tricky thing, a play with a passive protagonist who mostly exists through other people's opinions. Lionel other people's opinions. Lionel is touching 60. The "middle-class rump" of his south-east London parish complains of his lack of conviction. Not that he is an embryonic Bishop of Durham; indeed, it is hard not to sympathise with his superior's final angry outburst ("great vacillating, pea-green, half-set jelly!").

jelly!").
The characterisation is shadowy but illumines the surrounding figures. These include dumpy, white-haired Harry, loving his young Glaswegian actor but crippled by his generation's inhibitions from showing it — a beautifully restrained performance from Michael Bryant, recalling the single kiss by the river, that sustained him through

The Reverend "Streaky" Bacon wears hicycle clips and quotes the Goons, David Ban-ber's little paean of joy to the job he loves, ever since his first appointment at Cheam com-bined litany, music and Gilbert

The Church of England and Sullivan, is touching and funny - not least in his eigh-ing regret at "something deep in the Jamaican character that can't find its way through The Pirates of Penzonce."

And there is the curate

Tony. We first meet him in post-cottal evasivenese justifying sex "in the context of long-term commitment."

Despairing Frances, the rebei Despairing Frances, the rebei daughter of devout parents, sees through it. "You've got the bug." The hug takes the form of crusading, and betraying Lionel in spite of attempted pressure by the old priest's loyal friends. The play is about decent people fighting doubts, compromising, trying to find the way. "Why do the good always fight among themselves?" someone asks wearly.

wearily.
Oliver Ford Davies' finely shaded performance as Lionel is handicapped by the character's monumental negativeness and the contrived relationship with Frances (Stella Gonet, bright, reasonable, passionate). On the thrust cruciform stage Richard Eyre's production evokes lovely ensemble playing and exploits the play's dying

Harry is driven to an ex-pat chaplaincy abroad by a gay-bashing Sunday rag. Streaky bashing Sunday rag. Streaky regretfully offers only limited moral support for Lionel. Barbara Leigh-Hunt, Lionel's stroke-ridden wife, conveys a lifetime of resignation in her rueful rejection of his offered love, "too late." And Tony, depicted by Adam Kotz with the true fanatic's personable but dehumanised plausibility, brings market forces to religion. Richard Pasco resembles no Bishop of Southwark in no Bishop of Southwark in recent memory, but rings abso-intely true in his outraged authority.

Martin Hoyle

Adam Bede

ORANGE TREE, RICHMOND

We can expect a rash of Book at Bedtime theatre as arts budgets are reduced and directors look to safe, out of copyright, material to keep audiences ticking over. But there is no reason to be disparaging about Geoffrey Beevers' enjoyable adaptation of Adam Bede, at the Orange Tree in Richmond for the next month, and then going East — to Sudbury, Kings Lynn and other venues on the Eastern Arts circuit.

Unlike most 19th century, novels Adam Bede is contentrated in both plot and characters, making it ideal for a cast of six performing on a space

of six performing on a space smaller than a boxing ring. George Eliot's genius transforms the most conventional of piots — village maiden seduced by young squire with awful consequences - into a para-digm of Victorian philosophical controversy, enveloping reli-gion, personal morality and her belief in the refining power

of suffering. Somehow Beevers, who also directs, conveys the essence of the novel in this three hour distillation. The start is ominous, as selected scenes are ploughed through and then commented on by the actors to make sure the audience is keeping up. But gradually the rigid abandonment of any obvious props, except for late 18th century costumes, fixes atten-tion on the battle between Arthur, the heir to the estate, full of the best of intentions yet easily tempted, and humble Adam, whose committment to a higher morality makes him incapable of sympathising with weaker men. As George Eliot intended, you can't help identi-tying with the villain.

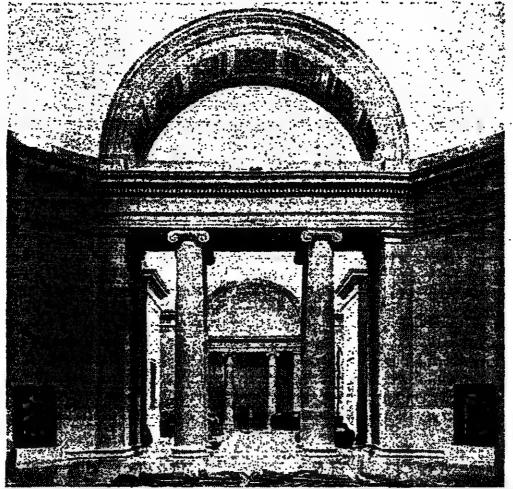
tying with the villain.

There is no scope for laxy acting in these cockpit surcoundings and the concentration of the actors tightens the emotional screws. The girls come out best Cathryn Bradahaw as silly Hetty Sorral allows enough glimpses of the selfishness behind the coris and dimples and is particularly good at suggesting the fatigue in her fourney south with her, growing burden, while Karen Ascee as the Methodist preacher Dinah Morris proves that Christian perfection need not be boring. The final scene between the two is quite affecting. affecting.

Brian Hickey is commendably big and pigheaded as Adam yet somehow there is not enough tension in the confrontations with Timothy Watson's Arthur. Watson has the thankless task of doubling up as Seth Bede, the least satisfactory character in the novel. For the rest Caroline John plays the older women and David Timson the older men with a relish for the challengs of instant character changes.

Of course the whole thing is simplistic, a cartoon strip flick through five hundred pages of serious novel. But enough remains to project the great-ness of the theme, that the ricks fate can play on basi-cally good people demand sym-pathy from us all, a theme which should produce cathar-tic tingles all over East Anglia.

Antony Thorncroft



Tate Gallery enhanced: a sense of scale, a sense of direction, a sense of occasion

ARCHITECTURE

Keep a sense of scale

Is there a return to integrity in architecture? This question was prompted not by a new building, but by the recent re-hang of the Tate Gallery in London. the Tate Gallery in London. Two things are particularly striking about Nicholas Serota's clear and thoughtful rearrangement of the pictures. One is that he has realised that architecture can help in traditional ways by giving a sense of scale, a sense of direction and a sense of occasion. The other is the fact that Serota has sensed the probity of the has sensed the probity of the existing building and enhanced by removal of recent impediby removal or recent impen-menta. It is a joy to see again the great central sculpture hall looking ansiere and splendid, free from all the clutter, low-ered ceilings and general archi-tectural junk of the relatively

tectural junk of the relatively recent past.

The spaces given to the Tate by Joseph Duvsen senior in 1909, and by his son Lord Duveen in 1937, were designed by William Romaine-Walker. I suspect it was Lord Duveen in 1937 who added the name of John Russell Pope as a consultant architect for the sculpture gallery. Pope was a great American classical architect, best known for the National best known for the National Gallery in Washington D.C. which remains one of the begalleries in the world in which to enjoy pictures. Early this century architects still rea that if you are to build in the classical manner it is a style that depends on its own integrity. If you muck about with classical architecture you inevitably compromise it. At the Tate, the instant new look has been achieved by a return to basics. In the process of reor-ganisation the Tate has redis-

covered its architect. Romaine-Walker was a fashinuable Edwardisc architect who started life articled to George Edmund Street, the architect of the Law Courts. He was responsible for the hall staircase and galleries at Chatsworth, the gardens of Luton Hoo in Bedfordshire and for the enlargement of Knowsley Hall in Lancashire. There is a

great air of Edwardian "luxe"

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K. Mikael Heiniö

FINANCIAL TIMES

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about his work, which is partly due to the sumptuousness of

due to the sumptuousness of the materials and to the consistently high standard of workmanship.

Curiously enough, Serota's architectural eye has brought out what little virtue there is in the 1970's galleries that were added to the Tate by architects Llewelyn Davies, Weeks Forestier-Walker and Bor. As far as is possible on a gridded but flexible plan, a sense of enclosure has been achieved. Again, there is a sense of an intelligent eye at work, and I felt gent eye at work, and I felt strongly that the more contemporary works benefit most from a more spetially relevant arrangement in these newer

It is sad to report that the very headquarters of the Royal hatitute of British Architects could, if large funds are forth-coming, lose the integrity of the design of the 1980's masterpiece it occupies in Portland Piace, London, W.I. The Insti-tute plans to build an exten-sion onto the side of the building to house an Architecture Centre which will ruin the integrity of the great hall and integrity of the great hall and the natural symmetry of the staircase. The architects, who won a competition based upon a wrong-headed brief, are the very good firm of Stanton and Williams. Many senior architects feel that this extension is a mistake, particularly in its effect upon the listed building. There are other arguments

There are other arguments against the creation of this Architecture Centre, but the principal one must be that it does not take account of the real national need to rationalreal national need to rational-ise holdings of architectural material in other important collections. The RIBA is only a part of the story of architec-ture and building in this coun-try. Comparisons of these pro-posals for what the Director General calls "a genuine archi-tecture centre" with examples of equivalent new centres in Europe and Canada show up Europe and Canada show up their parochial and inadequate nature. It is hard to see the point of a scheme which can never house a growing collec-

One practising contemporary British architect who demonstrates integrity in all of his buildings is Norman Poster. His airport buildings at Stansted are certain to be much admired for their dignified clarity. It is also good much admired for their dignified clarity. It is also good news that Foster Associates has been chosen for the new library of the Cranfield Institute of Technology. The Institute is the largest centre for applied research and development for industry and defence in Western Europe, and the library will be one of the first to incorporate non-printed to incorporate non-printed information technology as a crucial part of the design.

t looks as though a major potential benefit for Lon-don's Docklands is about to be lost. In 1982 the Museum of London launched the idea of a Museum of Dockland history, to be sited in Docklands. Collections of international significance have been gathered together about the history of the greatest docks in the world and some eleven staff have been working on the project for the past eight years.

Progress had been made on finding a home for the collec-tions at West India Docks and to date total revenue support has reached £3m. Quite suddenly the key supporter and revenue provider, the London Docklands Development Corpo-ration, has withdrawn support. This seems incredibly short sighted particularly as the This seems increality anort sighted, particularly as the LDDC has, until now, seen the point of fostering the community interest in the recent past as well as some of the dock buildings. The history of the Port of London has the potential to make a great museum. tial to make a great museum which would be folly to sacrifice. Why waste the colle and the expertise in the interests of saving a relatively modest sum of money? The integrity of the LDDC's commitment seems to be very

much at stake.

Don Giovanni

QUEEN ELIZABITH HALL

Opera Factory London Sinfonietta have reached the second part of their Da Ponte trilogy - due for completion next year, during the Mozart 200th anniversary shindigs. David Freeman's views of the operas he undertakes are almost always expressed in productions of forcible conviction and dramatic definition (the beach-picnic setting for the first part of the OFLS trilogy, Cost fan tutte, has already gained its own fame). The last thing one expects from any of his shows, indeed, is the nelther-here-nor-there quality manifest in this new Don Giovanni.
It has distinct merits. On the

It has distinct merits. On the QEH stage, with the orchestra to the left of a single set (designer: David Roger) made of connected galleries, the presentation is swift, uninterrupted by conventional pauses or hitches, fleet and natural in its delivery of recitative and its delivery of recitative, and trimly economical — as ever, the limitations on stage machinery and the absence of wing space have been turned

to advantage. Paul Daniel conducts a keen, forward-moving account of the score, on a level (in all senses) with the stage action, even if on Saturday he quite often missed the opportunity offered by the special aural and physi-cal "close-up" to tighten the screw of drama through con-centration on harmonic and textural surprise. The absence extural surprise. The absence of the two stage orchestras in the first-act finale is always disappointing. (The decision to perform the work not in the usual conflated form but in its second, Vienna, version is at once an interesting idea and a mistake: the first Prague mistake: the first, Prague, version is much tighter.)

By a cast of stage-wise principals and a brilliantly athletic chorus (who double as funerary monuments and naked statues in the final scenes), the opera is sung with the kind of straightforward conviction that makes the absence of really beautiful solo instruments easy to forgive. In Nigel Robson's Ottavio and Marie Angel's Anna one admires two idiosyncratically produced voices used with uncommon assurance of style and musical authority; Christine Bunning's

As a new look at Don Giov-

anni - and, given the "committed" stand trumpeted out by the company, one is entitled to expect no less - it doesn't begin to measure up. There is, it seems to me, a central lack of intellectual cogency. Bits and pieces of thematic under-lining - the influence of the commedia dell'arte, the image of the bull-ring, the repeated reference to fandango - are essayed, in an easy-going, take-it-as-it-comes style that throws up passing moments of rancous good humour (often taking the form of floor-level rutting or reaching into bodices and under skirts, all of it as predictable and un-erotic as apple pie) at the expense of focus on the opera's larger

The nearer the production gets to commedia dell'arte, in the characters of Don Giovanni (Omar Ebrahim) and Leporello

vigorous, alightly edgy Elvira (Clive Bayley), the further it strays from interesting perceptions about character: in this of all operatic networks of linked destinies one is entitled to seek, for instance, a sharper view of the central master-servant relationship than one largely enacted in jolly knock-about. There is a surprisingly old-fashioned air to much of the action - it's a long time since one has seen your actual bubbly poured during the mis-named "Champagne aria" – which chimes all too well with the bright-coloured motley Spanishry of the costumes. The resolution of the Act 1 finale is

indicrously fudged.
This is a churlish, nit-picking response to a production whose unceremonious manners and honest musical delivery will give pleasure to many, I simply found it rather ordi-nary, and can't conceal my

Max Loppert



Marie Angel

A great tragedy or merely a demonstration of the unreliability of circumstantial evidence? Othello always veers between these two poles. The current Britstol Old Vic production, directed by Paul Unwin, gathers momentum after a slow start, but it is some way from tragic inevita-bility. If the essence lies in a clash of culture-codes, then Unwin's casting could not be better. Othello is Jeffrey Kissoon, an Indian born in Trinidad of British nationality, who studied drama at a teacher training college in Warwick. On stage he radiates dignity and power, as anyone who saw him recently as Karna on television in Peter Brook's produc-tion of *The Mahabharata* will recall. Massive, implacable, white-robed, he booms out the stately lines in a rich baritons. We do not doubt him when he tells us that "with this little arm and this good sword I have made my way through more impediments than twenty times your stop". Iago is Jack Klaff, a tall

white good-looking South Afri-can exile, a writer and per-Colin Amery former in one-man shows. He plays the Ancient utterly deadpan without ever changing the expression on his face. There is a tiny hint of a smile when he is led off to jail and he observes the spread-eagled corpses on their conjugal death bed. He dispatches the fleecad Roderigo (Kevin Doyle) with a twist of the knife as dispassionately as if he were switching off the engine of the car. He does not so much act the role as enunciate it. He gives us the diabolical strategy clearly shough, but not the fiendish

energy that goes with it.

In the middle is the Desdemona of Melanie Thaw. It is as If you were to put a pretty English schoolgirl between an iceberg and a slowly empting volcano. However, she begins to establish a presence on arrival in Cyprus where her blissful sense of fulfillment at having married the man of her choice changes into a display of childish petulance in failing to get her way over the rein-statement of Cassio (Sean Murray). She is certainly no match for this Moor. Her obedient surrender to his death-threat is all too plausible.

Rightly, surely, Unwin sees the play as a series of one-to-one confrontations. He

clears the stage of extraneous clutter. For the set Tim Reed has designed a bare brick wall on which there is a damaged Renaissance fresco, and nearly Pitch darkness frames the prin-cipals who stand in pools of illumination centre stage where we can observe their

reactions minutely.
Strikingly so in the great
tamptation scenes where Othello and Iago loom like two
white apparitions shadowing each other; and again in the bridal chamber where in a flurry of plumped-up pillows the full horror of the smothering confronts the audience head-on.

The inner curtain that has from time to time to be drawn leaving performers stranded downstage seems an unfortu-nate interruption of this effective staging. The uniforms of the officers in the Venetian army appear to have come from the land of Ivor Novello but these are gradually dis-carded and the actors really begin to show their muscle.

This is a worthy, ambitious performance of a difficult play.

Anthony Curtis

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FINANCIAL TIMES

ARTS GUIDE

MUSIC

London

Royal Philharmonic Orchestra conducted by Enrique Batiz, Kun Woo Paik (piano). Mozart, Prokofiev, Tchaikovsky, Strauss (Wed). Royal Festival Hall. (128 8300). Fretwork and Paul Nicholson Consort Sett for violas and organ. Lawes, Purcell (Thur). Purcell Room, Royal Festival Hall. (128 8300).

BBC Concert Orchestra conducted by Sir Charles Groves with Brenda Lucas, Peter Donohoe, Moura Lympany, Gordon Fergus-Thompson (piano). Eigar, Ogdon, Liszt, Chopin, Rachmaninov (Thur). Barbican (638 8891).

Brussels

RTBF Young Soloists Ensemble conducted by Georges Dumortier with Daniel Rubenstein (piano) play Albinoni, Grieg, Mozart, Tchaikovsky, Vivalidi (Fri). Royal Music Conservatory Music Conservatory.

Vox Populi concert displaying different singing techniques with the Soviet Women's Chorus, Tran guang Hai, Mireille Capelle and other soloists, Palais des Beaux-Arts (Tues).
Hans Mending Trio and the new
Belgian Chamber Orchestra
wind ensemble. Beethoven, De greef, Gounod, Hendrickx and Schubert, Palais des Beeux-Arts

Pierre Amoyal, Alexis Weissenberg. Brahms: three sonatas (Mon). Salle Gaveau (45632030). Valery Afanassiev (piano). Schubert Sonatas (Mon). Theatre

des Champs Elysées (47203637).
Ensemble Orchestral de Paris
conducted by Mario Venzago,
Annick Roussin (violin): Schoenberg, Haydn, Mozart (Tue). Salle
Gavenu (4552637).
Orchestre National de France.
Schoenberg, Brahms (Thur).
Théâtre des Champs Elysées
(47203637).

Théâtre des Champs Elysées (47203637). Orchestre de Paris conducted by Zubin Mehta, Doris Soffel, mezzo-soprano, Orchestre de Paris' women's choir conducted by Arthur Olcham with the Maitrise des Hauts-de-Seine: Mabler's 3rd symphony. Salle Pleyel (45680796).

New York

Philadelphia Orchestra con-ducted by Riccardo Mutt, with Patricia Schuman (soprano) and the Westminster Choir directed by Joseph Flummerfelt. Pergo-lesi, Cherubini (Mon). Carnegle Hall (347 7800), New York Philharmonic, Erich

Leinsdorf conducting: Haydin, Bruckner (Tue); Erich Leinsdorf conducting, Yefim Bromman (piano); Prokofley, Virgil Thomson, Tchaikovsky (Thur). Avery Fisher Hall (874 6770). Rister Hall (874 8770). Emerson String Quartet. Bee-thoven (Thur). Grace Rainey Rogers Auditorium of the Metro-politan Museum of Art (570 3949).

Jurij Bashmet (violin) and Mihail Muntian (piano) playing sonatas by Schubert and Hin-demith and Benjamin Britten's Lacrymae (Mon). Teatro Alla Scala (80.91.26). Belia Davidovich (piano), playing Tchaikovsky, Scriabin and Rach-

maninov (Wed). Conservatorio G. Verdi (76001785).

February 9-15

Aldo Ciccolini (piano). Revel and Franck (Wed). Teatro Olim-pico (393304). Michel Plasson conducting three works by Ravel (Mon, Tues). Auditorium in via della Concilia-zione (6541044).

Frenkfurt

Alfred Brendel piano recital, Hayûn, Brahms, Weber, Mendels-sohn and Beethoven (Thur).

Berlin

Berlin Philharmonic Orchestra conducted by Carlo Maria Giu-lini. Schumann, Mussorgsky and Ravel (Thur). Philharmonie.

Chicago Symphony Orchestra. Neems Jarvi conducting, Lorin Hollander (piano). Kodaly, Saint-Saeus (Thur). Orchestra Hall (435 6666). Tokyo Tokyo Metropolitan Symphony Orchestra conducted by Emanu

Krivine, Mozart programme, Sun-tory Hall (Mon). (822 0727). John Scott (organ). Bach, Mozart, Liszt, Widor. Suntory Hall (Mon. Wed) (505 1010).
NEU Symptomy Orchestra with
Gunther Hogner (horn) playing
Strauss. NHK Hall (Wed, Thur)

(465 1781). Shura Cherkassky (piano). Bach, Weber, Chopin, Berg, Stockhau-sen, Suntory Hall (Thur). (289

Daniel Lanois

PESTIVAL HALL

Daniel Lancis's pedigree as a record producer is impeccable with credits for U2's Unfor-gettable Fire and The Joshua Tree, Peter Gabriel's So and Robbie Robertson's solo debut, he had a hand in some of the most distinguished albums of the late 1980s. Last year, as well as overseeing Dylan's Oh Mercy and the Neville Brothers' joyous Yellow Moon, Lanois made a first collection of his own, Acadie, in which the exploration of his French-Canadian roots revealed a protean talent, by no means evenly spread between the styles, but at its best thor-oughly fresh and distinctive. On Thursday his Acadie con-

cert tour reached London. The album itself was predictably well made, and Lanois had been able to draw upon his roster of collaborations for personnel - half of U2, assorted Nevilles, Brian Eno et al. On tour he appears with just three musicians, all of them - Malcolm Burn, Ronald Jones, Daryl Johnson - seasoned sidesmen. Yet the cool smoothness that is one of Acadie's strengths took a while to settle down; the Festival Hall must be hard work for a rock band, and as Lanois pointed out, it was the first venue on their tour in which all the audience was seated.

Though he interleaved some

straight rock and roll and r and b between the numbers from his album, Lanois seems at heart a folk singer, moving easily between French and English, and firmly fixed in a Canadian tradition reaching back through Neil Young and Joni Mitchell. His studio background, though, leaves his work with fewer raw edges; there are some arty, "New Age" sonorities, haunting backdrops to some of the songs, and the occasional twist of over-sophistication that reinforces the mawkishness of some of the lyrics. At those moments his voice is unnvervingly close to Neil Diamond, elsewhere he verges on Bono-like preaching, and one ballad (not included on the album) was so nauseous and full of grating half-rhymes that one waited in vain for the witty put-down that never came.

Alongside those few miscalculations, though, Lanois sets beautifully pointed songs like "O Marie" "Jolie Louise" and "Ice" and folk-rock numbers like "Under a Stormy Sky", in which his personality comes into sharper focus. Whether he continues to develop as a solo performer or, having made his point, will be content to retire back behind the mixing desk is

hard to guess. **Andrew Clements**

FINANCIAL TIMES

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Monday February 12 1990

Banking on Mr Mandela

FOR NEARLY 30 years, Mr African government starts to Nelson Mandela has been an dismantle apartheid and takes imprisoned symbol of opposi-tion to apartheid. Now at liberty, he could act as a catalyst in a process that could bring about the end of white minority rule in South Africa. In the eyes of the world, as well as the anti-apartheid movement inside the Republic, the release of the African National Con-gress (ANC) leader has been an acid test of President F W de Klerk's commitment to change. Yesterday's courageous step, taken 10 days after Mr de Klerk lifted the ban on the ANC, deserves an encouraging response from the West.

Opinion has always differed about the merits of economic and other sanctions against South Africa. The British Prime Minister, Mrs Margaret Thatcher, has argued that they impoverish blacks, and push whites into the laager. Other Western leaders maintain that the increasingly high price of white rule is one of the factors hat impelled ex-President P W that impelled ex-President P W Botha and his successor towards the negotiating table. Recent developments, including President de Klerk's election success last September on a platform of reform, and his actions of the last few days, bear out the latter view.

The proponents of both schools of thought might come to agree that it will soon be time to give white South Africa.

time to give white South Africa some encouragement, while keeping sanctions at the ready should Mr de Klerk start drag-ging his heels. Mrs Thatcher is arguing in favour of freeing new direct investment in South Africa; the European Commu-nity, whose policy is against such investment, may prefer to observe the events that follow Mr Mandela's release before it accepts her arguments. US sanctions, imposed by Con-gress, can only be lifted when various preconditions are met.

Thus there is an emerging consensus in favour of a link between the step-by-step lifting of sanctions, and progress at the all-party talks which should now become possible if peace is maintained. This would affect both sides: the ANC cannot rely on the index nite maintenance of sanctions jail. His release is only a beginby governments if the South ming.

dismantle apartheid and takes a reasonable negotiating stance. In the immediate future, yesterday's call by Mr Mandela for a continuation of sanctions may have a powerful effect on world opinion. The most effective sanctions, those of the marketplace, will be removed when there is evi-dence that a peaceful settle-ment will be reached, and sta-hillty is ensured. Police attacks on crowds over the past few days are a step backwards; such events, and minor loot-ing, marred the reception of Mr Mandela in Cape Town.

Transition

No man could do more to ensure that constitutional talks succeed than Mr Mandela, whose stature is matched only by the immensity of the should have as their objective a stable transition to a score-cial South Africa, in which the tragic inequities created by tragic inequities created by four decades of apartheid are redressed, while minority rights are protected. He will not be the only African leader at the negotiating table. But he alone, as the most potent black nationalist leader the continent has seen, has the authority that could allow him to stand above the fray and set stand above the fray and set about the urgent task of recon-ciliation. Yesterday, in calling for a continuation of the "armed struggle" until the state of emergency is lifted and all political prisoners are released by ways appealing released, he was appealing directly to his ANC-based con-

directly to his ANC-based con-stituency.

Mr Mandela has also been attempting to mend the rift in black politics, with its danger-ous tribal undertones. This is at its worst in Natal. At the same time, he must resolve the stresses within the ANC. The organisation's response to Mr. de Klerk's initiative has often been confused, highlighting the fact that its membership ranges from the influential ranges from the influential Communist Party to a conservative brand of African nationalism. To stand above these tensions and preside over a pragmatic but honourable solution for South Africa will prove

A currency for Mr Kohl

THE TIDS of events in Esstern Europe has imparted an irre-sistible momentum to the time-table for German reunification and the decision last week by the West German Chancellor Mr Helmut Kohl to abandon his government's step by step approach to currency union with East Germany is one more case in point. Few doubt that a move towards a cur-rency union is an essential component of wider economic integration. But a nervous bond market appeared last week to be signalling that Mr Kohl's political instinct for prompt action might entail sig-nificant communication.

The proposal to speed up the move to a currency union, which will be put to the East German Prime Minister Mr Hans Modrow in Bonn tomorrow, appears to have been prompted by the rapid deterio-ration in the East German economy. The flow of immi-grants from East Germany is already running at up to 3,000 a day. As well as causing industrial disruption in the East, the migration has led to predictable social tensions in the Federal Republic. With an election looming later this year Mr Kohl has been under considerable pressure to find ways of staunching the flow. The question is whether his gesture on currency union will provide sufficient reassurance to per-suade East Germans to unpack their bags and stay at home.

Among the many reasons for the heavy immigrant traffic is the fear of what price reform might do to East German living standards. The Poles have already suffered savage real wage cuts; and the existence of a monetary overhang in East Germany, as in other eastern European economies, causes people to worry that the rate at which Rast German marks will ultimately become convertible into D-Marks will render their savings worthless.

Acceleration

By offering East Germans the prospect of favourable access to the D-Mark, Mr Kohl has undoubtedly raised hopes and expectations. And since it is inconceivable that the Bundesbank would not have control over the implementation of monetary policy in a new currency union, the West German Chancellor has, in effect, pro-posed a very significant accel-eration in the reunification process. Yet there are some

deunting tasks ahead. Until East Germany has a banking system its money sup-ply cannot be controlled. The price system is wholly unre-formed. And no constructive negotiation can anyway take place until after the East German election on March 18. Small wonder that the bond market is nervous. It has rightly perceived, as Credit Suisse First Boston bluntly put it in a recent circular, that East Germans will have to be bribed to stay. The only ques-tion concerns the form that the bribes ultimately take.

Convertibility

If the money is to come from the West German government there may be pressure on bond yields because the government is more likely to resort to bor-rowing than to higher taxes in an election year. Currency con-vertibility, on the other hand, involves a different set of risks. involves a different set of right. If the exchange rate between East and West is fixed at a level that imparts some value to East German savings, those savings would be spent on Western goods, so adding to inflationary pressure in an economy that is already running close to capacity. An over-generous rate might also bankrupt East German industry and destroy its comparative advantage if companies were advantage if companies were suddenly forced to pay West

German wages. Yet the inflation risk can be exaggerated. Bundesbank President Mr Karl Otto Pohl, a conspicuously reluctant convert last week to Mr Kohl's accelerated timetable, emphasised on Friday the small scale of the East German economy relative to the Federal Republic; and on most plausible assumptions the size of the likely monetary expansion looks manageable. Financial ingenuity will still be required to give currency union genuine appeal in the East while minimising the inflationary cost to West Ger-mans. On this latter score the Bundesbank's record inspires confidence. But it also points to a more painful interest rate regime for the rest of Europe, and to increased stress in the

European Monetary System.

Patti Waldmeir reports on South Africa after Nelson Mandela's release

peans first came to the Cape in 1652, black South Africa has never known a finer hour. Yesterday the man who has become an icon of African liberation, Mr Nel-

son Mandela, walked amongst the son Mandeia, walked amongst the people of South Africa for the first time in 27 years. It was a triumph equal to the Voortrekkers' defeat of the Zulus at Blood River in 1838 — and an event which could transform the consciousness of the black nation as Blood River transformed the Afrikaner.

Apartheid will not end with the release of Mr Mandela, the leader of the African National Congress (ANC), jailed for life in 1984 for plotting to overthrow the Afrikaner state. And Mr Mandele may pager take the role. Mr Mandela may never take the role his supporters wish, the leader of a non-racial South Africa.

non-racial South Africa.

Indeed, his first day at liberty proved a less than auspicious start. Tens of thousands of people waiting for his arrival on Cape Town's grand parade grew restless when he did not appear for nearly five hours. Some turned to looting, and police responded with birdshot, leading to deaths and injuries. Rather than the dawn of a new era, yesterday seemed to herald a period of turmoil.

But the release from prison of Africa's most famous freedom fighter has none the less set South Africa on a road which must inevitably lead to the abolition of apartheid, and thence

the abolition of apartheid, and thence to black majority rule. The National Party has made no more momentous decision in 42 years in power. South decision in 42 years in power. South Africa will never be the same again. For in the past year, since Mr F W de Klerk took over as party leader, a revolution has taken place in National Party thinking. For the first time, the leadership of the party appears genuinely committed to bringing peace to South Africa — and with it, black majority rule with a minimum of guarantees for whites. The alternative, says Mr de Klerk, elected President last September, is a "great Armageddon."

elected President last September, is a "great Armageddon."

"If this Armageddon takes place," Mr de Klerk warned in a speech to senior policemen last month, "if blood flows ankle-deep in our streets and an or Sm people lie dead, the problem will remain exactly the same as it was before the shooting started." before the shooting started."
He told South African television viewers last week that his Government would not repeat the mistakes of Rhodesia (now Zimbabwe). They waited too long before engaging in fundamental negotiation and dis-

logue . . . we are determined not to repeat that mistake," he said. The horror of Mr de Klerk's apocalyptic vision appears to have inspired him to do what only weeks ago would have been unthinkable: legalise the ANC, banned in South Africa for 30

Mr Mandela's release has set South Africa on a road leading to the end of apartheid and black majority rule

years; lift restrictions on hundreds of other activists and organisations; and release those political prisoners who have not committed violent acts. He amounced those moves 10 days ago. In the coming months and years, Pretoria seems likely to go much further yet: to lift the three-year state of emergency, release remaining politi-cal prisoners, and negotiate a new democratic constitution with blacks.

That constitution may well take final shape only after years of negotia-tion; but for the first time, there are signs that the National Party will not insist on a white veto which prevents rule by the black majority.

The party is still struggling to find



The road away from Armageddon

a constitutional model which will answer its concerns about black domi-nation. This might involve a two-tier legislature with disproportionate rep-resentation for whites in the upper house; the system might be structured to allow whites a veto over essential changes to the constitution. But senior party officials say they would accept a majority rule constitution, so long as it guaranteed a multi-party democracy, basic human rights and freedoms, and — crucially - an economic system based on free

enterprise.

What used to be called "group" rights – and are now referred to as "minority" rights – might be protected by allowing, for example, a private educational system organised on cultural lines. Thus while the state school system would be integrated (though in fact largely black), the private system would make provision for Afrikaans-language schools which

Afrikaans-language schools which would be largely white.

The convulsions in Eastern Europe have played a big part in bringing about Pretoria's change of heart. The state of enthesitarian restricts to enthesitarian restricts to enthesitarian restricts to the contract the state of enthesitarian restricts. sight of authoritarian regimes toppled by people's power "will not have been lost on our black masses," one senior party official confided. Officials argue that the demise of communism has left the ANC with no ideological ground to stand on - and removed its main source of financial and moral

Whatever the reasons, the Nationalwhatever the reasons, the Nationalists have travelled an extraordinary philosophical distance in the past year. Yet there is no guarantee that the transition can be managed peacefully, and at a pace which South Africa's shell-shocked whites can be

The far right Conservative Party, which won 31 per cent of the vote in the last election, has said it will mobi-

lise Im whites against the Govern-ment, and stage protest marches and strikes which could cripple essential

ment, and stage protest marches and strikes which could cripple essential services. And violence from the right, directed against Mr Mandels or Mr de Klerk, cannot be ruled out.

Thus Mr Mandels will play a key role in smoothing the transition. The Government is counting on him as a moderating force in the constitutional talks which must now begin.

For months already he has been acting as a "facilitator": meeting numerous Government ministers, and two State Presidents, to smooth the path to talks. He may be called on to carry on "facilitating" when the hard bargaining begins — perhaps acting as chairman of the negotiations and even, eventually, serving as President of an interim government with Mr de Klerk as Prime Minister.

If Mr Mandels, already 71, is ever to sit behind the President's deak in the Tuynhuys, the negotiations will have to move swiftly indeed. Yet for the moment, the anti-apartheld opposition seems ill-prepared for talks.

The reforms announced on February 2, and the release of Mr Mandels, appear to have canght the ANC, and the internal black opposition, off-guard. Some members of the ANC and the internal black opposition, off-guard. Some members of the ANC and the internal black opposition, off-guard. Some members of the ANC and the internal black opposition talks might soon begin: but others roled

executive reacted by suggesting talks might soon begin; but others ruled them out until further conditions are met. And all the while, ANC military ders continue to preach intensification of the armed struggle — despite a strikingly candid admission from the ANC President, Mr Alfred Nzo, last month, that the movement lacked the capacity to step up military action.
It seems clear that, if talks began now, the ANC would enter them in a state of confusion and weakness not only are the movement's traditional backers in Eastern Europe deserting it, ideologically and financially; but

has been stopped in its tracks by what Bouth Atticans call "Pretoria-strolla". Bouth Arricans call "Pretoria-szolla".

Prominent voices from the left —
including the exiled poet, Mr Breyten
Breytenbach, who served seven years
in prison for "terrorism" — have
warned that the ANC may be outmanoeuvred by Pretoria. "We have at our
fingertips the chance of an historic
compromise," Mr Breytenbach said in
an article published in London. "If we
now dither and quibble ... we shall
find time seeping through our finmers."

while the ANC in exile is working out a response, its internal wing, the United Democratic Front (UDF), has criticised Pretoria for trying to "demo-hilise the masses." UDF leaders say they are planning mass protests to force a rapid transfer of power. Their statement highlights differences between Mr Mandela — who appears to favour a gradual political transition — and the more radical path preferred by some leading activists. Signs of serious difference have been apparent for months, since it

been apparent for months, since it was learned that Mr Mandels had been meeting Government officials. indeed, the notion that he was con-ducting secret talks with Pretoria from his prison bungalow - consulting the ANC, for the most part, only after the fact - has caused consterna-tion, and resentment.

the recently drew up a 10-point plan for a future South Africa which is understood to have included some form of guarantee for minority rights — a concession which is vehemently opposed by most anti-apartheid activ-iets. And he is thought to be willing to accept an interim period of power-sharing with Pretoria. sharing with Pretoria.

Grunblings within the ANC over Mr Mandela's conduct in jail reflect

concern among young blacks, who

gained their political education on township streets in the mid-1980s. Yesterday, Mr Mandela's forthright assertion of ANC policies – including a commitment to the armed struggle

a communication to the armed struggle
— may have quietened the rumblings.
But Mr Mandela, like President de
Klerk, has to address a number of different constituencies, and the coming weeks will tell whether as negotiations unfold he will prove more conciliatory than his robust speech yesterday at first sight speechs.

yesterday at first sight suggests.

In fact, the younger generation may well be right to see Mr Mandela as a relative moderate; Mr de Klerk would probably recent have velegated him 19

well be right to see an released would probably never have released him if he did not think that was so.

For Mr Mandela belongs to a generation of African nationalists who do not, on the whole, share the radical aims of the South African Communist Party — which dominates the ANC executive, and commands a strong following within the internal Mass Democratic Movement (MDM). Despite a recent statement issued in Mr Mandela's name by the MDM, the ANC leader's views on economic policy — may well remain flexible. The statement reaffirmed Mr Mandela's support for

well remain flexible. The statement reaffirmed Mr Mandela's support for the ANC's 35-year-old policy of nationalising banks, mines and key sectors of the economy. But recent visitors say he sees the merits of a free market economy, and believes that nationalised industry cannot create the jobs needed by South Africa's rapidly growing population.

Born a prince of one of the Transket's traditional ruling families, Mr Mandela is a lawyer by training. He led thousands of peaceful protesters in what became known as the "defiance campaign" of 1952. Yet by 1961, he was despairing of non-violence and helped form the ANC's military wing, Umkhonto we Sizwe (Spear of the Nation). He was trained as a guerrilla in Algeria.

During his 27 years in prison (he was jailed in 1962 after 17 months underground), Mr Mandela has gained a reputation as a consummate political of the contract of the contr

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a reputation as a consummate politi-cian — an image furthered by the mystery which surrounded him as a prisoner. Very much the elder states-man, he has tried to placate Zulu Chief Mangosuthu Buthelezi, and heal divisions between the ANC and Chief divisions between the ANC and Chief Buthelezi's Inkatha organisation which have been fighting a hitter civil

var in Natal war in Natal.

Somehow, the ANC leader must deliver the whole of black South Africa to the negotiating table — not just his own colleagues from the ANC (which may prove difficult enough), but Chief Buthelezi and other homeland leaders, and blacks who support ultra-radical groups like the Pan Africanist Congress.

More than that, he must persuade his constituency to accept a constitu-tional deal which can unite the peo-

Visitors say Mr Mandela sees merit in free markets, believing nationalisation cannot create enough jobs

ples of South Africa - systematically divided by apartheid for over 40 years - in a truly multi-racial nation. Creating such a society is Mr Man-dela's stated aim. Indeed, he cour-cluded his defence before the court which jailed him 25 years ago with this outline of his vision: "I have cherinis durine of his vision: I have cherished the ideal of a democratic and, free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to achieve. But if needs be it is an ideal for which I am prepared to die."

That vision must still be a distant

That vision must still be a distant one; but it seems closer today than at any time in South Africa's history.

Are the polls distorted?

you recall a domestic news story dominating the British headlines for several days running — either on the news bul-letins or in the heavier news-papers? Certainly not this aids of the new year, and possibly you would have to go back to the botched Cabinet reshuffle

of July 1989.

There have been exceptions, of course, like the resignation of Nigel Lawson as Chancellor in October and the subsequent departure of Norman Fowler as Employment Secretary, Park as Employment Secretary. But none of them has held the top of the front page, or remain

the lead item on the television news, for long.

For the rest, it has been Czechoslovakia, Romania, the Soviet Union, the two Germanys and South Africa. There is no reason to think that there will be any great change in the near future.

It is thus tempting to wonder whether the dominance of the news by foreign affairs has had a distorting effect on the domestic opinion polls, and, if so, which way. For psephologists tend to the view that the results are influenced by what is in the news at the time the is in the news at the time the poll is taken.

Recent polls have the Labour Party about 10 percentage points ahead of the Conservatives, and that has been the trend for a good many months. One cannot prove it, but there is a case for arguing that, if it had not been for foreign affairs, the Labour lead would be much greater.

After all, it is not as if domestic events have come to a halt. There is the long-running dispute between the Government and the ambulance men, the Ford strike, the continuing arguments over the poll tax, the suspicion of dirty tricks in Northern Ireland and, not least, the inflation. In more normal times, all those matters would have received much

OBSERVER

Ministers are quite happy about that. Douglas Hurd, the Foreign Secretary, is congratu-lated by his colleagues for keeping international affairs at the forefront and domestic events low down the news list. And it may be that when the tide of foreign news finally recedes, the Government will have put the economic house in order again and the Labour lead will start to slip away.

There is also a converse: if the economic house has not been put in order, it could be that the Labour lead will turn out to have been understated. Polling is a tricky business at the best of times. It is a snapshot of public opinion at the time the poll is taken. In exceptional times, it could be taking the wrong shot.

Versatile

Intriguing figures thrown up by our market research. The Financial Times is read by more AB adults in the United Kingdom who have attended an American Football game than any other British daily newspaper. The same goes for motor racing. For American Football, the FT figure is nearly 30 per cent The Sun comes next with just under 25 per cent. The Times is in third place with 18 per

For motor racing, the FT's lead is less decisive: 19.2 per cent against 17.0 per cent for the Daily Telegraph. Third is the Daily Mail with 15.5 per

Cherished cars

■ The reformation of the Soviet Communist Party proceeds apace in the face of popular discontent. The party's latest common touch comes in the Ukraine town of Zaporozhe famed in the USSR for producing the Zaporozhets car, a sort



"As I was saying before I was so rudely interrupted..."

of expanded roller-skate with a motor-bike engine and – by popular acclaim – the country's cheapest and worst motor vehicle. In a drive, according to the

In a drive, according to the town's traffic inspector. "to democratise society and abolish party privilege," the local party has quietly abandoned the practice of giving party officials cars special number plates – the number 50 denoting a regional official, 10 an executive committee member. executive committee member, and so on — so that they merge with the rest of the nownsfolk. That is the demo-

cratic part. Except that party members only drive (relatively) luxurious black Volga cars. They are the only people with acces to the Volgas and, being the only people to have staff to clean their vehicles, they are the only drivers in the grimy town with coachwork you can see your face in. They also often charge through the city streets at great speed escorted by police cars with flashing lights to clear a path through

What the radical newspaper,

Komsomolskaya Pravda, wants to know is: "When will the offi-cials be made to abandon their Volgas for Zaporozhets?"

Mobile saving

Clearing banks tend to make what they claim is a small charge if they have to call another a bank to clour a cheque. It seems to cover more than the cost of the call. A cu-tomer cashing a cheque at the Royal Bank of Scotland's Kilburn branch the other day sought to forestall that by producing his own mobile telephone from his bag and put-ting it at the bank's disposal.

No history

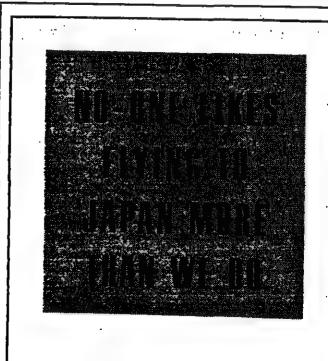
■ Britain is continuing to run out of historians. Indeed, if present trends continue, there will shortly be virtually no young historians left teaching in the universities. In 1971-73 there were 405 of them under the age of 35. Between them they held 41 per cent of the history posts. By 1980-81 the number had fallen to 224 and 21 per cent

of the posts. George Bernard of the University of Southampton and Secretary of the History at the Universities Defence Group has now produced the latest figures. In 1988-89 only 74 posts were held by under-thirty-fiveyear-olds, or 7.5 per cent of the total. Bernard points out that 125

history posts were lost altogether between 1981 and 1988, and says that there is evidence that an increasing number of young historians are no longer even bothering to apply.

Poor Greek

■ The Economist tends to pride itself on the literacy of its advertisements. How about this one? "Single market, sin-gle currency? That's one vision of Europe's future. Easy for trade and travel, from the Shetlands to the Peloppenese."



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ome of the great names in the US securities industry, such as Shearson Lehman Huiton and First Boston, have emerged from 1989 with their reputations severely dented. Morgan Stanley is one of the few winners.

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The American Plane and

Recently, it announced record profits for 1989 and achieved a return on equity of just under 28 per cent compared with an industry average of

scarcely 6 per cent.

In the wake of the October 1987 crash, which ushered in a period of stagnant trading volume in stock and bond markets, Morgan Stanley was one of the many US securities firms which moved aggressively into the riskier end of business on Wall Street - backing highly borrowed takeovers and putting up its own capital to finance acquisitions.

For several of its competitors, that game has turned sour. The junk bond or high-yield market has collapsed and commercial banks, under increasing pressure from bank regulators, are no longer willing to stand behind the riskier takeover ventures. Thousands of redundancies have

been announced over the last two months. Late last year, Shearson Lehman Hutton, for example, announced plans to cut 800 jobs and American Express, its parent company, was forced to arrange what is thought to have been the largest infusion of new capital in the history of Wall Street. est month, Merrill Lynch, the largest of the Wall Street securities houses, announced a record loss for the year. Morgan Stanley, by contrast, has steamed ahead. The 1999 results show

Morgan Stanley owes a lot of its strength to its success in committing its own funds to invest in takeover targets

that this is due in no small measure to its success in committing its own: funds to invest in companies that are the subject of takeovers.
On Wall Street this is known cuphe

On Wall Street this is known emphamistically as "merchant banking" — a completely different meaning from the British definition — and it is a potentially high-risk business which in recent years has led Morgan Stanley into some controversy.

Although the perilous financial elimate means that labelling any securities house a winner is risky, Morgan's relative success may point to the qualities which will divide Wall Street's winners and losses in the

Street's winners and losers in the

It has managed to combine tradi-tional blue-blooded caution with a willingness to enter some of the most high-risk — and potentially high-re-ward — areas of investment banking. It has also pursued a strategy of pro-itability rather than attempting to provide a full range of financial ser-vices.

For decades, Morgan Stanley has

Janet Bush finds in Morgan Stanley one of the rare successes on beleaguered Wall Street

The revenge of the blue-bloods

been the most blue-blooded of all the US investment banks, with one of the most envied client lists and a reputation for hiring ranks of square-jawed graduates from the best Ivy League backgrounds who remained Morgan men for the rest of their lives. It also carried a reputation for arrogance and slow-most or striffness. slow-moving stuffiness.

It is still criticised for not having integrated efficiently - partly, some say, because of an enduring snobbery - the trading side of the business with areas such as underwriting and corporate finance.

Still, the company's image has changed radically during the 1960s as the bank ended 51 years of private ownership through the sale of 20 per

cent of its equity.

It threw itself into global expansion and began a remarkable build-up in its merchant banking portfolio of principal equity investments. This is not the result of a close-out

at the top. The three men at the spex have 110 years of experience at Mor-gan Stanley between them, Mr Parker Gilbert, chairman, Mr Richard Fisher, president, and Mr Robert Greenbill, vice-chairman, guided the company through the rapid expansion of the All are in their early 50s and are

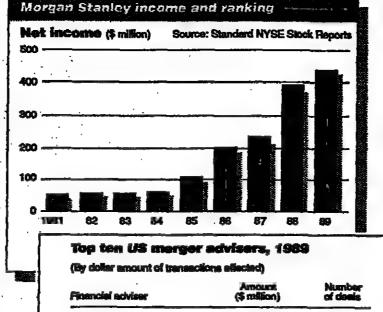
ikely to continue at the helm for some time. They all have substantial shareholdings - 70 per cent of the company is still owned by employees. One thing that has not changed has been Morgan Stanley's almost reversative control company is a consequently. ential emphasis on conservative credit analysis.
"There is no deal that I could do

which would be so fantastic that it would be worth being downgraded for," says Mr Donald Breman, a relative newcomer who is a former paper industry executive and who now leads the 40-strong merchant banking team. This conservatism may have meant pissing out on Incretive underwriting

fees earned by more cavalier competitors but has also avoided confidence-Junk bond underwritings of compa-nies such as Federated Department Stores, Allied Stores and Ohio Mabtress have run into deep trouble sither because of difficulties in financ-

ing the debt or because of inhospitable market conditions at the outset "We wouldn't have invested in these deals ourselves so why should we underwrite the bonds?" asks Mr

First Boston, involved in all these



107,621.1 Morphic Starting First Boston/CSFB/C8 esserstein, Perelle 71,816.8 Goldman Sachs 58,738.4 **Dressel Burnham Lambert** 56,573,6 Merrill Lynch 50,933.7 49,791.0 Lezard Freres 49,631.0 Dillon, Read 44,606.5 SG Washing Source: Investment Dealers' Digest.

flops, saw Moody's Investors Service downgrade its long-term credit rating last November because of its "appetite for making subordinated loans to

leveraged buy-outs."
In comparison, Morgan Stanley has appeared to weather the current crisis in the junk bond market, bringing two successful Issues to market shortly after the mini-crash. It claims a default rate of less than 1 per cent on the \$14ba or so of junk bonds it has underwritten compared with an industry average of approximately 9

Morgan Stanley's trump card this past year has been its merchant bank-ing business - where it puts its own capital at risk to take equity stakes in companies. Over the past few years, it has invested in 40 companies with

It made virtually no new invest-ments last year: instead, four of its existing investments have been restructured. Through complex transactions in which it re-leveraged the companies — cashing in its equity and restructuring the company, taking on new debt — Morgan Stanley made a gain of \$246.5m in 1969, a significant part of its profits.

Morgan's merchant banking strat-egy has been criticised on several counts. First, it is said that, by re-leveraging companies as the economy slows, it has made its portfolio of principal investments more risky. A counter argument is that in each case, the credit rating on the second issue of junk bonds was the same as on the original issue, suggesting the rating

agencies are satisfied no more risk

has been added.
Second, other Wall Street banks say there is a tension between finding attractive deals for its own merchant banking division and locating the

same for its clients.

Morgan dismisses this it says it keeps a "conflict of interest" file to monitor any potential clashes between merchant banking and interest. est in a deal from a customer but says that conflicts have rarely come up.

Mr Greenhill said: "In the end, you have to trust the integrity of the firm.

If clients were worried about this,

they wouldn't use us."
Third, detractors contend that this thrust has been at the expense of tra-ditional business, such as securities trading and underwriting, pointing to a slippage in published underwriting

Morgan Stanley replies that each of its businesses has remained profitable despite the difficult market conditions over the last two years and sticks by its decision not to build the underwriting market share at the expense of profitability.

Will its equity investments take a beating in a recession? Morgan Stan-ley replies that they are in companies with leading market positions and comfortable margins. Still, it acknowledges that there is no guarantee that merchant banking will yield a steady flow of gains of the

kind seen in 1989. Looking forward, the major interna-tional thrust will be in the area of mergers and acquisitions advisory work. The creation of the European

For decades the bank has had one of the most envied client lists — and a reputation for stuffiness and arrogance

Community's single market and the political ferment in eastern Europe is attracting interest from US investment banks keen to maintain takeover work in the face of a slump in such activity at home.

Nearly 30 per cent of Morgan Stanley's M&A professionals are based in London and the proportion of deals done in Europe, as opposed to the US, has risen to 50 per cent from 30 per cent a year ago.

The firm is prepared to be hard-nosed in cutting back unsuccessful businesses. Late last year, it told nearly half of its US institutional cli-ents that they were being moved to the individual investor department because they were not generating enough commissions to justify a full

This has led to charges that Morgan Stanley is choosy and high-handed with some institutional clients, losing their business. It replies, however, that its bottom line is proof that its

LOMBARD

City scribblers' great betrayal

By Samuel Brittan

A NOVEL and basically contemptible fashion has arisen among the City scribblers. This is to criticise the Government, not for making economic mistakes, but for messing up the cynical electoral game. Some of the sharpest criticism on this score comes from commentators who have no personal desire to see the Conservatives returned, but who still want to show

their hyper-sophistication.

Typically, they ask whether whether there will be time for electorate into voting the Gov-ernment back. Many have given up discussing the right economic policy, but take for granted that economic policy consists in rigging the indica-tors for partisan advantage. Typical of this line of thought is the advocacy of base rate cuts in the run-up to the elec-tion to produce a cosmetic fall in the Retail Price Index, by taking advantage of the mort-gage payment distortion, even

when the underlying rate remains high.

It is indeed easy to show that you can fool many of the peo-ple much of the time. For instance, in 1964 opinion poli respondents considered that Sir Alec Douglas-Home was the cleverer of the two main party leaders, but Harold Wilson was the more bonest. Nevertheless, naïve cynicism

is just as wrong-headed as blind trust in the goodwill of rulers. The simple economic cycle view of voting is plain wrong. There have been nine elections since I have had a vote. Of these only two have been determined by simple prosperity indicators; the Har-old Macmillan "Never had it so good" victory in 1959 and the last Conservative victory in

When Wilson narrowly beat Douglas-Home in 1964 on the slogan of "Thirteen Wasted Years," the prosperity indicators were at a peak. They had all seriously deteriorated by 1966, yet Wilson won a resounding victory, either because voters blamed the Conservatives for the "legacy" or they wanted to give Wilson a mandate to finish the job. The 1970 election, when Edward Heath secured his surprise victory is the most difficult of the series to interpret, as one can argue about how strong the prevailing upturn

in the first election of 1974 when Edward Heath was defeated by the miners, real personal incomes and associated indicators were rising at record rates. By the second autumn election of that year, unemployment and inflation were both rising, but Labour increased its representation. In 1979, too, James Callaghan went to the country almost at the peak of the business cycle, but this did not dispel memo-ries of the Winter of Discon-tent. In 1983, at the time of Mrs Thatcher's second election vio tory, the popular view was that the country was in a recession; and the Government won on a mixture of the Falklands factor and the belief that it needed more than one term to turn the

Some of the electorate's concerns on the above occasions were economic in the broad sense, but indeed indicate that it could not just be cynically manipulated. A temporary pump priming boom is neither a sufficient nor a necessary condition of electoral auco-Serious discussion has long ago reached a further stage, where economists have ques-tioned whether electorates are so unable to learn from experi-ence that they can be hood-winked again and again by a boom which is brought into

reverse after polling day.

There is no need to play holier-than-thou. Everyone interested in economic policy has at time discussed the political cycle. What is wrong is when this becomes the predominant mode of discussion, driving out all others.

The true job of the commen-tator is first to analyse what is happening or may happen, secondly to say what he or she thinks are the appropriate policies on their own merits, and thirdly to consider the distortions produced by the electoral or any other kind of political process. If an analyst does not bother to say which policies would be appropriate on their merits, he cannot even say what effect electoral considerations have had.

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LETTERS

Japan 'clouds the issue' with 100-year loans

From Mr Vladi Cutto. Sir, Your report on 100-year loans by Japanese housing finance companies ("For they shall inherit the earth and the mortgage," January 31) provides another example of Japan's inability to address serious policy issues in a seri-

In a country where, as you ay, house prices are so high that many workers have mortgages of seven times their salaries, raising the maturity of the loan from 30 years to 100 years will do very little to improve the affordability of

The monthly payment on a

\$406,000 (£387,000) house financed over 30 years at 8 per cent per year (assuming a 20 per cent down payment) is \$2,348. The monthly payment on the same house inanced over 160 years, even at the charitable rate of 8.5 per cent per year, would be \$2,267. In other words, the average Japanese home-buyer would save less than \$100 a month by

passing the mortgage on to his grandchildren, courtesy of the Nippon Housing Loan Company. This is hardly an incen-tive worth talking about. If the Japanese Government

truly wanted to address the housing problem in a quick

and efficient way, it would:

• Reduce subsidies to farmers
to free land for residential construction. · Increase property tax and

inheritance tax rates to dis-courage the wasteful use of Lower the capital gains tax on land transactions to increase the supply of land for

Anything short of this would be enother exercise in futility. The issue of soaring land prices in Japan has implica-tions that go well beyond the

enlightened Japanese tax policy would produce a surge in demand for consumer durable goods that could eventually translate into increased Japaransmit into interest a solu-nese imports from abroad. Therefore, the issue of house prices in Japan goes to the very core of the trade controversy engul lised world. engulfing the industria-

It would be a real pity if Japan were to miss another opportunity to put its house in order by clouding the issue with 100-year loans. Viadi Catto, Chief Economist,

Chile's Antarctica claims

From Ms Maria Luisa Carvalla. Sir, Although Barbara Durr

"Well-placed Chile leads in the logistical battle for Antarctica," January 11) accurately describes the current situation in that continent, her last para-graph describing the dates of various territorial claims in the Antarctic peninsula could

It is not correct to state that the Chilean claim was not made until 1942. As early as 1906-1908 Chile and Argentina began negotiations with the aim of sharing their Aniarctic territories. When they had almost reached an agreement over their boundaries, the Argentine Minister of Fore Affairs suddenly resigned, without having signed any doc-uments. Some 12 days later the IK made the first formal territorial claim - on July 21, 1908. This was renewed in 1917. Subsequently, Australia, New Zealand, France and Norway made territorial claims on the other side of the continent.

Chile's claim goes back

much further than that, to the days indeed of the first division only moses of the first division of sovereignty in south Amer-ica. The regions allocated to Spain by the Treaty of Torde-silles in 1494 extended beyond South America to Antarctica. Even in 1556 Alonso de Ercilla, the most famous Spanish poet in the 16th century, noted in his poem, Le Arancana, that Chile was famous in the Ant-

arctic territory."

The present sovereignty of the Republic of Chile over Antarctica flows from the sucient entitlement of Chile, the colony of Spain. It is therefore more accurate to say, not that Chile made a claim, but rather that it defined the Antarctic territory belonging to it. Its border was fixed by the Chilean Supreme Decree No. 1747 of November 6, 1940. Only two years later did Argentina send Chile notice of its own

Maria Luisa C. Carvallo, Visiting Fellow, Research Centre for International Law, University of Combridge

affordability of housing by Japanese taxpayers, Lower home prices resulting from a more

Breathing space for the EC

Sir, Your editorial comm ("Europe whole and free," January 29) provides a long-term view of how such a Europe might be built with the European Community playing a central role. Regrettably, it provides no time-scale in which the vision should be achieved It thus ignores many awkward issues which would arise if negotiations for further EC enlargement were started

in the near future:

• How can a community of 12 countries complete the 1992 programme and maintain prog-ress towards economic and monetary union and widen at the same time? What is rapidly being done with 12 countries would be much more difficult with 20,

 How can the EC start negotiations with countries which are neutral from their own volition, if the EC is gradually to develop its competences in the area of security, resulting from the changing nature of How is the European Commission, already insufficiently accountable democratically, to be controlled if more countries mre added to the EC?

How far is the EC to enlarge? Should it go so far as countries like Romania and Bulgaria to the borders of the Soviet Union itself, ending up with more than 25 European countries?

The most sensible position for the EC to take is to confirm the approach indicated in the Commission's recent communication concerning the applica-tion of Turkey to join the BC whereby it would be unwise to envisage the Community becoming involved in new accession negotiations before 1992 at the earliest, except in exceptional circums

This would at least give the EC a breathing space to set its own house in order before considering further enlargement. James Elles,

MEP for Oxford and Buckinghomshire, cjo Conservative Cours, Church Street, Amersham, Buckinghamshire

Concentrating the minds of management on goodwill

From Mr J.G.R. Ric. Sir, With all the different circumstances surrounding the purchase of a business for a price in excess of its tangible assets, and the different types of business involved, no one way of dealing with "goodwill"

can be right or best. The City is now awash with, examples of its ability to evaporate without trace and with little hope of reappearing -especially if misjudged or mis-

North Control of the Control of the

is ludicrous to keep it in the balance sheet. However, if the object of the

rules is to protect the shareholder from extravagant bids by management then the most appropriate course would be to capitalise goodwill as a separate item together with the obligation to write it off above the line over five or seven years. The fact that this expense was non-tax-deductible

handled — so in some ways it and harmed earnings per share growth might concentrate the minds of management on what, over the last few years, must have been broadly the worst asset for any company to

> To the cry that the accounts would be misleading, I can only say that nearly all accounts need very careful reading already, few less than the valedictory accounts of

Perhaps the Accounting Standards Board should also be deliberating on whether audits should be extended to cover the numerical content of chairmen's statements, and other areas of the reports and accounts, which can otherwise give a misleading gloss to the

J.G.R. Rix. Wodehouse, Headley,

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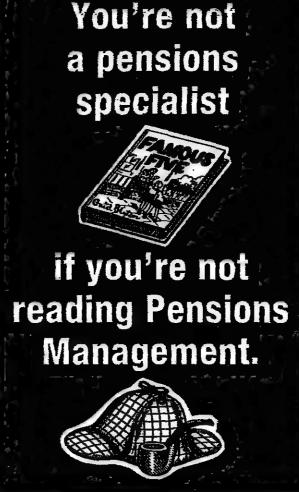
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MAGAZINE



FINANCIAL TIMES

Monday February 12 1990

ECONOMY IN ACTION

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'Historic talks' in Moscow on the Germanys

Kohl says way to unification open

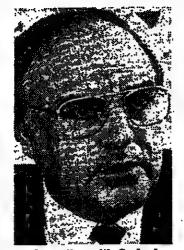
the Governments of East and West Germany a free hand to decide on the timing, princi-ples and form of an eventual unification of the two coun-tries amid signs that the process towards unification is

Chancellor Helmut Kohl of West Germany returned to Bonn yesterday after what he called "an historic day" of talks in Moscow with President Mikhail Gorbachev, the Soviet

leader, saying: "The way to reunification is free." He even indicated that unifi-

cation might be possible before the end of this year.

After talks between the two leaders, and between Mr Hans-Dietrich Genscher, the West German Foreign Minister and Mr Eduard Shevardnadze, his Soviet counterpart, the two Governments issued a state-ment which said: "Germans themselves should make their choice in what state forms, what periods, what pace and under what conditions they will be realising their unity."
It also stressed that unificaests of the Soviet Union and other European countries, and must take into account the responsibility of the four war-



Kohl: meeting with Gorbachev

time allies in German affairs, Moscow, which formally acknowledged the inevitability of unification late last month, has repeatedly insisted on the importance of giving the four powers a say in any unification process. Soviet leaders have also stressed the Conference on Security and Co-operation in Europe as the most appropriate forum for multilateral talks on

reunification.
Mr Genscher, speaking on

after returning from Moscow yesterday, said that he expec-ted a formal meeting later this year between the two German states and the four Second World War victor powers the Soviet Union, the US, Britain

and France-to clear the legal way to German union. Mr Genscher envisaged a three-step endorsement of unity: first the two German tates would draw up unity proposals after next month's free elections in East Germany; these would then be put to the four powers; then the final plans would be put to a special CSCE "Helsinki Two" meeting in the autumn.

Mr Genscher stressed that a "Helsinki Two" meeting was now even more urgently required later this year "and hopefully the results of our negotiations over unity can be presented to it."

However, Moscow clearly remains concerned that unification is occurring faster on the ground that can be accommodated within the existing CSCE timetable. A summit of the 35-nations is due later this year, simed at sealing an agreement on reductions in conventional forces in Europe. The joint declaration called

West German talevision soon after returning from Moscow yesterday, said that he expected a formal meeting later this However, no reference was made in the statement either to the question of German neu-trality, or Nato membership. Chancellor Kohl told a week-

end news conference that both sides considered possible frameworks for resolving the

Mr Kohl made clear that he

Mr Kohl made clear that he expected an agreement on unification to proceed very rapidly. Asked if unity might be achieved by the scheduled CSCE summit meeting in 1992 he said: "I don't believe that the decision will require such a long time to be taken." long time to be taken.

He said that the process of unification was continuous and that discussions would take place on the issue at ministe-

rial level during this week's conference on Open Skies in Ottawa. Indeed, when asked whether

East Germans might be voting in December's federal elections, a clearly buoyant Chan-cellor Kohl said: "I cannot answer this question." Economic analysis, Page 4

Moscow moves to protect state bank

By David Lascelles in Moscow

THE SOVIET Government is taking steps to curb the activities of the newly established commercial banking sector in order to protect its own sources of finance.

The Council of Ministers is reportedly preparing an order which will prevent the commercial banks, which now number more than 200, from offering deposit rates which are more attractive than those of Sberbank, the state savings

Mr Vyacheslav Solovov, the deputy chairman of Sberbank, said the measure resulted from concern that competition from the commercial banks was

becoming excessive.
"The commercial banks are not good because they are speculating on the scarcity of credit resources," he said. "We are not against competition but we think it should be fair."

Sberbank's deposit rates are imposed on it by the Govern-ment, and currently range from 2 per cent to 4 per cent depending on the type of

The commercial banks can

into the deposit market. The commercial banks were

permitted by reforms intro-duced two years ago. Since then, their number has mushroomed to about 240, many of them founded as co-operatives. Their advance so far has

en tiny - they account for less than 2 per cent of banking assets. But the government is heavily dependent on loans from Sberbank to finance the budget deficit. This year's gap is expected to be Rbs60 bn (\$101 bm), part of which is to be covered by a Sherbank loan at 2.8 per cent.

The new measure on deposits-which is a further sign of the government's nervousness about economic reform - will probably be followed by further regulatory controls on the commercial banking sector when a new banking law is passed in the spring.

As with many co-operative ventures, the entrepreneurship of the commercial banks has drawn critical fire. Mr Solovov said there was

evidence that commercial banks had been charging as much as 360 per cent for some loans.

Provincial Party leaders forced out by revolt

By Quentin Peel in Moscow

A COUNTRYWIDE revolt against conservative provincial leaders of the Soviet Communist Party is gathering pace, with at least six more party bosses sacked by local commit-Mass railies in major cities from the Ukraine to the Altai mountains on the borders of Mongolia, and the Komi republic in the north, demanded the resignation of party bosses, and cancellation of privileges. Popular protests have been fuelled by the insistence of many party leaders on standing unopposed in forthcoming

China fears recession as

industrial output falls

By Robin Pauley, Asia Editor, in London

CHINA has announced its biggest drop in industrial pro-duction for a decade, as evi-

dence mounts that the country's economic austerity programme is pushing key sectors of the economy into reces-

The most recent figures show that the value of indus-

trial output plunged 6.1 per cent to Yuan 127.8bn (\$27bn) compared with a year earlier.

One month's figures are not a good indicator, particularly in the uncertain world of Chi-

nese statistics. But this is only the second time that monthly industrial output has fallen in

10 years of economic reforms. All of the country's 30 prov-

inces and regions registered a fall in industrial output except the relatively backward

Shanxi, Shandong, Hunan and

Production of some con-

sumer goods nosedived. Refrig-erator output fell 58.5 per cent

and washing machines, colour televisions, bicycles and auto-

Ninexia.

local elections in rural areas.

Party radicals have laid the groundwork for a possible split in the party at its full-scale congress in the summer, announcing their determination to present an alternative party platform to the version approved last week by the rui-ing central committee.

At the same time the Democratic Platform, representing supporters of multi-party democracy from within the rul-ing party, called on President Mikhail Gorbachey to set up a round table with opposition

A mass meeting, estimated at some 50,000, took place yes-terday in Kishmev, the capital of Moldavia, where leaders of the nationalist Popular Front, and the new heads of the local Communist Party, shared a platform to call for more republican sovereignty. Three more cities in the

western Ukraine, where the Ukrainian nationalist move-ment is strongest, have seen the party leaders sacked: in Ivano-Frankovsk, Khmelnitsky and Uzhgorod.

In the Russian Federation, a mass demonstration yesterday carrying the party.

in Ulyanovsk called for the dismissal of the entire regional party committee.
In Slavgorod, in Belorussia,
7,000 people demanded drastic
cuts in the Communist Party

bureaucracy.
The radical magazine Ogoo-The radical magazine Ogon-yok published a poll – albeit several months old – showing that only 22 per cent of Soviet citizens completely trust the party. However, 43 per cent backed Mr Gorbachev as "the country's most outstanding leader," suggesting the Soviet leader, personal remutation is leader's personal reputation is

mobiles alumped by 40 to 50 per cent. The State Statistical Bureau blamed the Chinese New Year holiday for the slump in January, but analysts do not regard this as credible. During 1988, official figures, all of which are probably understated, showed the economy overheating, with industrial growth at 18 per cent, noney unply growth at 25 per.

money supply growth at 35 per cent and inflation between 25 and 50 per cent, fuelled by large real wage rises which far outstripped productivity. The September 1988 austerity programme helped rein in runaway inflation, to around 7

An important part of the programme has been a credit squeeze, but this has hit the

vital industrial sectors, private business, and smaller town and village enterprises, while leav-ing the inefficient and unprod-uctive state monoliths least

WORLDWIDE WEATHER

Nelson Mandela urges no relaxation of sanctions

Continued from Page 1

released from jail yesterday afternoon, and greeted well-wishers at the entrance of Vicwishers at the entrained of vib-tor Verster Prison before being driven with his wife Winnie the 30 miles to Cape Town. He arrived several hours late for the rally, which had been marred by looters who smashed shop fronts, prompt-ing police to open fire with birdshot.

During his speech, in which he reasserted his status as the ANC's leader, he thanked members of the ANC, other anti-spartheid organisations and the international commu-nity for pressing Pretoria to release him from the life sen-tence imposed on him in 1964 for plotting to overthrow white

"On this day of my release, I extend my sincere and war-mest gratitude to the millions of my compatriots and those in every corner of the globe who have campaigned tirelessly for

orate on his policies yesterday. my release." my release." He also paid tribute to Mr de Klerk, saying the President had gone further than any other National Party leader-a reference to the recent unban-ning of the ANC, a partial lift-ing of the state of emergency, the release of some political prisoners, and a lifting of the bans on more than 30 other proscribed parties, including the South African Communist

> He described South Africa's President, whom he has met twice while imprisoned, most recently on Friday night, as a man of integrity. However, there were further steps that had to be taken "before negotiations on the basic demands of our people can begin."
>
> These included the ending of the state of emergency and the

the state of emergency and the freeing of all political prison-ers. Mr Mandela made clear during his speech that his com-mitment to fundamental change had not diminished during his 27 years in jail.

likely to overshadow **Open Skies**: conference By Bernard Simon

| East Europe |

BILATERAL meetings between foreign ministers of Nato and Warsaw Pact countries to dis-

Warsaw Pact countries to discuss events in Eastern Europe are likely to overshadow the Open Skies conference on aerial surveillance which begins in Ottawa today.

Mr James Baker, US Secretary of State, and Mr Hans-Dietrich Genscher, West German Foreign Minister, were due to brief their Nato colleagues into yesterday on their visits to Moscow over the weekend, with German reunification with German reunification and cuts in conventional

and cuts in conventional forces in Europe expected to be the focus of attention.

Similarly Mr Eduard Shevardnadze, Soviet Foreign Minister, has scheduled an early meeting with other Eastern

The three-day gathering of 22 foreign ministers from the two alliances — only the Dan-ish minister will be absent — is the first since the upheav-als in Eastern Europe began

lest autumn.

The ministers will have an opportunity to air a wide range of topics during a working lunch tomorrow, to be followed by a closed pienary session, likely to be dominated by

The Open Skies conference has been convened to draw up a treaty allowing surveillance flights by Nato and Warsaw Pact aircraft over each other's Pact aircraft over each other's territory. Though the overflights would be hedged with conditions to protect the host country's security, an Open Skies treaty is viewed as a useful confidence-building step towards assuring verification of the various areas control agreements now under negotiation.

A Constitute official said that the chances of a treaty being finalised during the three week Ottawa conference are remote. A second meeting is scheduled in Budapest later

this year.
The US and Canada have already drawn up a draft treaty, which still requires the approval of other Nato mem-bers. The Warsaw Pact group is expected to present a paper of basic elements for a treaty within the first few days of the conference, in response to a similar document already

issued by Nato. Under a Nato proposal a Under a Nato proposal a country would need to give about two days notice of an observation flight. The host country would he allowed to station observers on the aircraft. Although a wide range of sensors would be allowed on the station of the sta board, they would exclude devices for recording signals

intelligence. Flights would take place on the basis of each country's

the basis of each country's geographic size.

• As preparation for a meeting of western foreign ministers due to take place last night, Mr Manfred Woerner, Nato Secretary General and a former West German Defence Minister, visited US President George Bush for talks at his Camp David retreat to discuss the latest changes in Europe, arms control prospects and future roles for the alliance, writes Peter Riddell, US Editor, in Washington. in Washington.

Mr Bush is facing increasing domestic criticism for failing to respond to the new European situation with sufficient imagination and leadership, particularly given the timing of his three-day visit last week to US military installations.

Even the normally cautious Senator Sam Nunn, influential Democratic chairman of the Armed Services Committee, said it was "curious" that Mr Bush had chosen this moment to participate in war games. Like other Democrats, he said the President was "out of syac with events taking place." The Senator said what was needed was leadership and a vision of the future of Nato, its strategy

Mandela celebrations turn to chaos Continued from Page 1

Police fired shotguns and tear gas at a crowd of rejoicing black people in the Duncan village township outside East London, an Indian Ocean port bordering Clskei, residents said, adding at least one per-son was injured.

In Soweto, as hundreds of jubilant people sang, danced and cheered outside Nelson and Winnie Mandela's smail house an enterprising lady across the street did a roaring trade at her makeshift hot dog and soft drinks stand.

squatter camp where five peo-ple perished in political vio-lence last week.

About 20,000 people crowded into Soweto's Jabu-lani stadium which was nist Party flags. The crowds cheered and waved the clenched fist ANC salute as part of an organised rally, but outside the Mandela home a more-obvious spontaneity

Across the road from the Mandela home 30 people crammed into Mrs Selena Mkabela's sitting room to watch Mr Mandela's release on televi-

As Mr Mandela was picked out by the television cameras, the room echoed to "Amandia,

awethu" - freedom, power. And then it was drowned by the cheers from the street outside as Father Smangaliso Mkhatsha told the throng Mr Mandela had walked out of

But other forces were at work over Orlando West. The heavens opened to a Highveld summer thundershower and

Central Johannesburg crowds of excited demonstra-tors swept down the main thoroughfares, marshalled by indulgent traffic police with their cheers drowning out the celebratory honking horns of

The narrow mind of the auditor

Last week's landmark judgement on the Caparo case is better news for auditors than it is for the investing public. Caparo, it may be recalled, took over Fidelity, found the books had allegedly been cooked, then tried to sue Fidelity. ity's auditors. The Law Lords were not having it. The job of the auditors, they said, is to do their duty by shareholders as narrowly defined by statute. They are not there to help people. ple make profits from share dealings. Nor are they respon-sible for any conclusions an outsider might draw about the

company's worth.

There are clear implications for Ferranti in its suit against Peat Marwick over ISC. Ferranti, it appears, is not entitled to complain about accounts drawn up for the benefit of drawn up for the benefit of ISCs previous owners. As new owner, it could perhaps sue Peat in the guise of ISC itself. But the snag is that in law, the acts of directors are generally blam to be the acts of the company. This might include the alleged fraud over arms con-tracts. Peat could therefore reply that it is illogical for ISC

to say "we did wrong, and you failed to stop us."

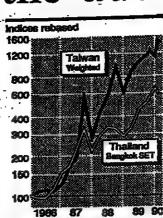
But there is one important difference between the Caparo and Ferranti cases. The ISC fraud is claimed to have continued after the takeover, and Peat signed off the Ferranti accounts for the period. Ferranti could therefore sue Peat in its own right. One likely response for Peat would be to lattle in the company's directors as co-defendants, in hopes of passing on some or all of the damages. But with luck, Ferranti could argue that the relevant directors would be those of ISC, whom it is separately suing already.

The broader question raised by the Caparo judgement is what purpose a company's report and accounts actually serve. The answer seems to be: difference between the Caparo

serve. The answer seems to be:
not much, but in law they were
never meant to. They are there
purely to allow the company's
owners to exercise informed
control. Those out to deal
actively in the company's
shares, or thinking of hidding shares, or thinking of bidding for it, should seek their infor-

Country funds

The recent allegations about market manipulation in Thailand may not unduly depress investors who have enjoyed a 289 per cent run in the Bang-kok index since the start of 1987. South Korea, up 224 per cent over the same period, is not far behind and Taiwan is



well out in front with a rise of 1,068 per cent. Those figures compare with a 99 per cent climb in the Nikkei and a 39 per cent rise in the FT-A All-Share.

Share. It is not surprising in the chromatances that funds have been launched to tap growing overseas interest in these markets, which normally limit the participation of foreign investors. The bold investor is attracted by the double gearing effect - liquidity is so limited in these markets that fashionable country funds can easily shoot country funds can easily shoot to a substantial premium over net assets. The danger, of net assets. The danger, of course, is when the gearing works the other way - Bangkok has fallen 12.5 per cent from its January peak, the Thai Euro Fund has fallen 21 per cent over the same period. Add in the currency risk for sterling-based shareholders (most funds are quoted in dollars) and private investors ought to tread wardly before they take tread warily before they take

Media assets

"ALW: Legit Immortal or flash in the pan?" This Variety headline sums up the difficulties raised by Mr Andrew Lloyd Webber's £2.33 per share bid for Really Useful Group. Though Really Useful has a chunky physical asset (London's Palace Theatre), detarmining whether £2.33 is fair is a matter of valuing its 100-plus musical copyrights, and their marketability over maybe 100 years. But few London security snafysts know how to do it. malysis know how to do it.

There have been transac-tions involving UK companies, such as Thorn-EMI's \$337m purchase of the SBK music catalogue. Really Useful paid £1m to buy back the copyright to Joseph and the Amazing Technicolor Dreamcost, at that time producing only £63,000 amnually, But one has to go to Wall Street for expert guid-snee: not surprising, given the

huge media transactions which started with MGM's 1981 purchase of United Artists.

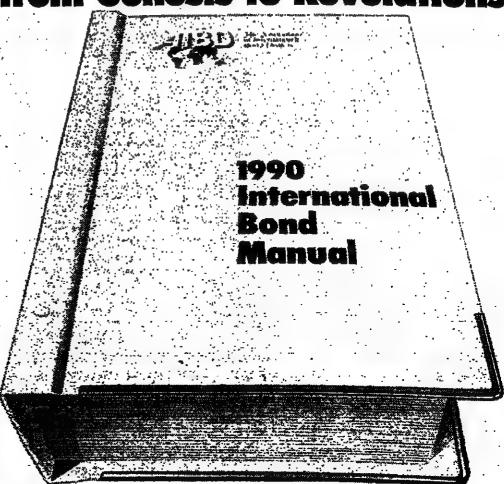
To value Really Useful the Wall Street way, an analyst would look at gross cash flow, before interest, depreciation and taxes; apply a multiple, which would be between 10 and 13 times, depending on how much life the assets are thought to have; then subtract net debt. For 1980, the debt-free Really Useful's gross cash flow from theatre production, and record and music royalties, looks like £7.4m, making those businesses worth between £2.20 and £2.90 per share. Its theatre management side's worth may be identical to the Palace's open market value: say, £4m, or 12p per share. This is all back-of-the-envelope arithmetic, and doubtless Really Useful's advisers, Schroders, will do a much better job. But it suggests Mr Lloyd Webber's bid price is right at the bottom of a reasonable range. huge media transactions which

Bank provisions

There is no doubt that high interest rates are beginning to bite on the corporate sector. A rising financial deficit, the rising financial deficit, the rapid increase in the number of company receiverships, and the growing evidence of financial strains in the property sector have all focused attention on the banks' potential bad debt problems. The high profitability and strong cash flow which led to such a marked decline in the banks' domestic had debts over the last five bad debts over the last five years are disappearing and the TSB has already had to more than double its annual provi-

Back in 1984, Barclays' annual provisions amounted to 0.7 per cent of its total assets. This may not sound large, until it is remembered that if a bank earns 1 per cent on its assets it is doing rather well, and in 1984 the quality of Barclays' loan portfolio was such that its total provisions of £469m dwarfed its after-tax profits of £282m. By last year the charge had dropped back to a more normal 0.28 per cent. The big unknown now is the scale of extra provisions the cope with the deterioration in the UK corporate sector. Better credit quality standards, and an increasing proportion of low risk mortgage lending, mean that domestic bad debt provi-sions should not be anywhere near as much of a problem as they were in the early 1980s. If they are then something has gone very badly wrong in the banks concerned.

The bond market from Genesis to Revelations



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IN STREET

INSIDE

news to Mr Jan Cartzon, head of Scandinavian Airlines, and Mrs Margaret Thatcher (left), the UK Prime Minister, but their survival is merely a question of time. This view is backed by a presentation by two Canadian academics to the

Strategic Management Society. They argue that most leaders find it hard to adjust more than once to the "cycle of revitalisation," and, whether in business or politics, few last much beyond a decade. Christopher Lorenz reports.

Suspended in a nightmare

it's an investor's nightmare. Once a company's shares have been suspended, the group often drifts into limbo and information becomes a scarce commodity. In an attempt to give shareholders some idea of the current situation, the Financial Times has investigated the current denizens of limbo. In some instances the news is hopeful; in others depressing; in many, the outlook is distinctly hazy, writes Philip Goggan.

Price berriors in BAT battle



Price Waterhouse, the accountancy firm which has been acting for Hoy-lake, the consortium headed by Sir James -Goldsmith (left), has tes-Mied that If the consortium was obliged to pay as much as 210.50 a share for BAT inclustries, the UK conglomerata which it has been trying to take over, the investment returns might not look acceptable.

Nikki Talt reports. Page 26

America's baries are far from happy. Behind their strong protests are new guidelines Introduced by bank regulators in the US to allow them to track lending to heavily-indebted companies. The guidelines are nothing more than a yardstick to allow consistent measurement of exposure to so-called highly-leveraged transactions. But they are already having an impact which extends beyond US boundaries. Stephen Eldier suplains why. Page 22

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Market Statistics	المعادية المعادية المعادية المعادية
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Clausen has the last laugh

Anatole Kaletsky explains how the retiring chairman turned around **Bank America**

here is no record of whether Mr AW. "Tom" Clausen, the dour and laconic chairman of BankAmerica, enjoyed an uncharacteristic chuckle last week when he decided on his retirement. Whether he took the opportunity or not, he certainly was entitled to a Last Laugh.

By common consent the Clausen stewardship of BankAmerica has been the greatest turnaround story in US banking history. The story in US banking history. The \$1.5 m profits announced in the last two years have wiped out the accumulated losses of the previous three disastrous years. The five-fold recovery in the share price since 1986 speaks for itself, Today BankAmerica's meets are growing strongly again and capital ratios are as good, or better, than those of its main US rivals, Citicary and Chase Manhattan. Citicorp and Chase Manhattan. But what is even more remark-

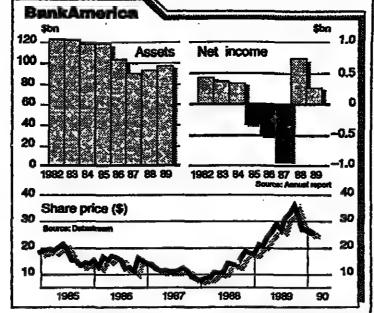
able than the rapidity of the financial turnsround has been the roller-coaster ride of Mr Clausen's personal reputation.

When he retires in May, at the age of 67, it will be his second departure from the chairman's office with its unequalled view of the San Francisco skyline. His first try at retirement came after a decade running BankAmerica in 1981: At the time, it seemed even more glorious. He had convenient the seemed of the s solidated the company's position as the world's biggest and most profitable bank He then crowned

romance vana. He than crownen his career with the only banking lob that he possibly have been regarded as a promotion, the Presidency of the World Bank. Within-two years Mr. Glausen's reputation had completed its first. U-turn, as non-performing assets sprouted like mushrooms across Bank America's many across ankAmerica's whole loan book. By 1986 auditors from the Comptroller of the Currency were crawling over the books and putting pressure on the board to oust Mr Sam Armacost, the seem-ingly ineffectual chairman whom Mr Clausen had picked and

groomed as his successor.

What happened then appeared to be the ultimate case of boardroom toadying. The BankAmer-ica board fired Mr Armacost and



Monday February 12 1990

then invited Mr Clausen back to clear up the mess he had left behind. Wall Street did not know whether to be amused or aghast. In retrospect, of course, the analysts should have restrained their catcalls. Whether responsible or not for BankAmerica's problems, Mr Clausen turned out to be the right man for the clean-up job. According to some of the bank's own executives, the key to his success was probably related to the reasons for the bank's earlier failures. He may not have been a charismatic leader, but he had one essential quality which Mr Armacost lacked. He was decisive enough to pursue bold policies, to make tough choices and to back strongly individuals in whom he had faith. crisis eliminated the competitive lunatic fringe, partly accounted for the amazing speed of BenkA-

qualities probably led BankAmer-ica astray, as Mr Clausen decided to chase international expansion and balance sheet growth with too much aggression and insuffi-cient regard for credit quality. But when he returned in 1986, he was willing to do four things that Mr Armacost had balked at:

admit the massive losses required to cleanse the balance sheet of BankAmerica's past lending mistakes; cut costs and staffing to match the bank's reduced ambitions; reverse the interretional experience stretches. international expansion strategy of the 1970s and return BankA-merica to its roots as the greatest US retail bank; last but not least, give free rein to the ruthless new. management team that Mr Arma-cost had assembled but then

failed to back.

The last two of these factors were probably the most important in achieving BankAmerica's remarkable turnaround, which makes it particularly appropriate that Mr Dick Rosenberg, 59, will now enjoy his turn at the chair-A fast-talking consummate

salesman, Mr Rosenberg was the man who respectfuled SankAmerica's retail recovery. He saw that the unequalled network of 950 branches throughout California could once again become one of the greatest salling

machines in the financial world. By the mid-1980s BankAmerica had fallen from first to twenty-first in the California mortgage market. It had completely lost the sugremacy it once enjoyed in the credit card business and its basic branch banking business was losing market share rapidly. The last was a particularly disastrous development. For Cal-ifornia was not only America's biggest banking market, but also potentially the most lucrative, because of the dominance of just four banks — BankAmerica, Wells Fargo, Security Pacific and First Interstate. This market structure, which was tightened further after the savings and loan

merica's recovery.
Once Mr Rosenberg, who had been trained at Wells Fargo along with most of the rest of BankAmerica's new senior management team, was given the managerial freedom and the technological

freedom and the technological resources to mount a serious counter attack in California retail benking, the profits flooded in.

Today, even the international and wholesale side of the bank, led by Mr Lewis Coleman, a former colleague of Mr Rosenberg's at Wells Fargo, accepts that the immensely lucrative California retail banking market will be retail banking market will be where the resources come from eventually to restore BankAmerica as a first-class competitor on the world stage. After the setbicks of the 1970s

and early 1980s, neither Mr Cole-man or Mr Rosenberg is in too much hurry to do this, confining their geographical expansion plans to Washington State, Ar-zons and ultimately along the rest of the West Coast. Indeed, BankAmerica's California foundations now seem more solid than Citicorp's hold on the more fragmented banking markets of New York and the North Essi. Given this structural advantage, along with superior economic fundamentals of the West coast markets, BankAmerica could even re-emerge one day as the higgest bank in the US.

The day they abolished geography

By Anthony Harris in Washington

hy do we bother? At the beginning of the week the Soviet Communist Party voluntarily abandons its constitutional right to govern; at the state of th the end of it, a virtual unknown knocks out Mike Tyson. Another routine week of news, apocalypse style. It is not easy, in these days, to drum up much attention for a small earthquake on Wall Street, especially one in which no one is hurt in the least.

All the same, the surprisingly successful bond auction last week deserves some attention, not least because it is already getting a good deal of attention getting a good deal of attention from those eager to draw the wrong conclusions. The Treasury sells its long bonds without having to pay much extra in yield, despite a reported Japanese coolness to the offering. The private investor lives! The menace of a Japanese boycott is a myth!

And so the equity markets bounces back more than 45 points. Everyone remarks sagely that Treasury Secretary Brady that Treasury Secretary Brady was showing his market savey when he told Congress last week that events in Frankfurt or Tokyo had little to do with US interest rates, and market fore-casters return to their old preoccupation with the nuances of sixweek old minutes from the Foleral Open Market Committee.

All that this rush of interpretation had been properties to the

tion really demonstrates is the American unease with geogra-phy. Half the high school students in this country cannot name the ocean off the West Coast. The strategists of Wall Street, by contrast, brood about the Pacific every day; but they wish they didn't have to. It was relatively easy to make money in the bond market in the

money in the bond market in the days when a reliable inflation forecast, coupled with a knowledge of the guirks of the Fed governors; gave most of the suswers; it has been rather difficult since the smart money has all followed the most plausible commentator who could claim to have friends in the largerness blin. have friends in the Japanese Ministry of Finance. But if the US bond market can, after all, rely on home-grown investors, we can abandon these attempts to unscrew the inscrutable.

This profound wish to sholish

economic geography is not just a matter of laxiness or ignorance. There is much political and doc-trinal capital invested in isolationist theories of interest rates. Thus, Mr Brady's claim that US

interest rates have little to do

with events in foreign credit marwith events in invegin creat markets might unkindly be cited to show why Dillon Read was not a name which inspired much awe in the markets when he ran that once-revered house. In fact, though, he was staking out a position in budget politics rather than in monetary theory.

The Administration is arguing

for a dash-for-growth strategy to deal with all the US deficits, in in the budget. However, everyone knows that the US economy is unlikely to show much dash as long as interest rates remain so high; and that is the topic on which Mr Brady claims to have "vigorous" discussions with Mr Alan Greenspan every week. We mad to have the same delates in Britain some 30 years ago; the shade of Reginald Maudling may well be applauding Mr Brady. However, if interest rates are part of a world climate, there is little Mr Greenspan can do to belp. In these circumstances, a strategy of dashing for growth strategy of dashing for growth makes no more sense than a strategy of having sunny weather. Mr Brady is logically compelled to hold the views he professes, and is no doubt pleased that investors have

pleased that investors have apparently proved him right.

Meanwhile, the monetarists, in and out of the Fed, have a doctrinal stake in denying foreign influences on dollar interest rates. Their fundamental belief was proclaimed in detail again last week by the unrepeniant Dr Robert Aliber of Chicago: Robert Aliber of Chicago: long-term interest rates measure inflationary expectations, and are thus by definition overwhelmingly set at home,

his was the belief of the St.
Louis Federal Reserve
President who once lost a
bet with me that Mr Paul
Volcker's monetary squeeze,
would produce a fall in long rates
within a couple of months, as
soon as the markets believed that
took more than two years, but took more than two years; but the St Louis veterans who still vote, as regional presidents, on the Federal Open Market Com-mittee, still think in the same way, basically. They are no longer so sure how quickly a squeeze will conquer inflation; but they believe that the long bond market is a dial on which they can read the market's expectations. As Governor Wayne Angell puts it, a good monetary policy is one which makes the



bond market happy. He and his supporters are no doubt as happy as the markets looked last week. However, there is another vet-eran of the Volcker squeeze who had a much better forecasting record at the time. Dr Henry Kaufman, the one senior figure in Salomon Brothers who emerges from "Liar's Poker" without a splash of mud on his armour, was so influential in their early 1980s that, according to legend, he used to call a press conference before he blew his nose.

e is now an independent consultant. He has not been so dominant during the period of Tokyo-watching rather than Fed-watching, but his track record remains quite track record remains quite impressive. He bases his interest rate forecasts not on theories about inflation, but on a pains-taking projection of flows of saving and borrowing, the supply of and demand for credit. This is inevitably an imprecise measure, but quite reliably produces a forecast of a buyers or sellers' market in bunds.

This week Dr Kaufman is at it again, offering a knowledgeable but hundrum explanation of that bond auction. He puts US busi-ness credit demand in January at \$9bn, down from a monthly average of \$20bn last year. The Treasury had the benefit of a domestic seller's market - not to mention the advantage of an investors' flight to quality, as more corporations slide towards bankruptcy.
Wait a minute, though: if credit

mand has fallen as sharply as that, why did not interest fall sharply too, instead of simply stopping rising? The answer is demand conditions inside the US demand conditions made the US
do not set interest rates them
selves, but simply the differentials between national markets.

The weakness of US credit
demand is shown not so much in
long rates, which have done little
more than drift in the last six
months, but in the virtually dismonths, but in the virtually disappearance of the differential between dollar and D-Mark rates, which used to finctuate around some 200 basis points, and the nerrowing gap against the yen.
What analysts ideally need,
then, is a global Kaufman table.
This would surely show that the investment opportunities which have opened up in Europe will sustain the world demand for credit for a long time. The US Treasury just has a seller's stall in a buyer's market.

Economics Notebook: German currency union

Control of the inflationary risk

The first, historically justifiable, reaction to last week's news that the Bonn Govern-ment had offered immediate talks to East Germany on currency union was fear of increased inflationary pres-

sures in West Germany. However, it is beginning to look as if union might be possito the Federal Republic and, via financial markets, to its major trading partners. A word of warning needs to be injected here. Nobody has any idea of the all-important terms on which currency union will eventually be brought about or how far the East German authorities will work to help or hinder the process before the first democratic elections on

March 18. There must still be a strong possibility of higher West Ger-man interest rates. But various studies now suggest that, with careful management, the inflationary risks posed by releasing the monetary overhang of hitherto non-convertible East German marks can be con-

The idea of currency union between West and East Germany flies in the face of all conventional wisdom. A common West German view is that East Germany's living standard is where West Germany's was 30 years ago. But the East German mark, although feeble compared with the Deutschemark, still has some purchasing power. There are an estimated 170bn to 190bn East German marks in circulation and on deposit. Initially it was feared that this stock of money, if converted into D-Marks, would add to already strong demand in West Ger-

many and fuel inflation. Recent black market exchange rates of between 5 and 7 East German marks to

After the panic, the one D-Mark suggest that a have been suggestions for par-reassessment.

The first, historically justifiat the official rate would be ibility. Rast German citizens

industry, spreading bank-ruptcy and unemployment. According to data prepared recently by the European Com-munities Commission, East

panies the chance to survive in international competition. It could also encourage foreign investment in East Germany,

Mr Gerry Holtham, international economist at Sheurson Lehman Hutton in London, has calculated that the Rast German money stock would then be worth about 15 per cent of M3, the broad money aggregate targeted by the Bundesbank.

sver, East German money stock would be worth about 3 per cent of West Germany's M8. According to Market the liquidity overhang "looks manageable," at that level. But other considerations are sure to determine the eventual would seem good news for dents incentives to stay at

conversion rate. A one-for-one

permit this. bring their wages closer to West German levels. Inflation-ary pressures would therefore increase in East Germany. For these reasons, there

East German pensioners and savers and therefore politically desirable in the framework of a creating a united Germany. But it could play havoc with the already weak international competitivity of East German

German industrial productivity was around 39 per cent of West German levels in 1987. A rate of five to one or lower would give East German com-

once laws had been changed to But a low conversion rate would provide little incentive for already low paid East German workers to stay in East Germany. It is likely that strikes and labour unrest would spread among those who did stay as they sought to

could be offered one-for-one conversion of a limited sum of East German marks and longer term assets such as D-Mark bonds for the rest. These bonds, which would not add to West German money supply,

might be offered at a lower exchange rate than one-for-one, further neutralising any liquidity overhang. Another idea is that East Germany should proceed rapidly to privatise its industry and sell tenants the freeholds of their appartments at low prices. The latter move would generate pride of ownership and give East German resi-

Such a policy could draw on Britain's unique experience in privatising state-owned industries and managing council house sales. But East Germany would have to embark on a thorough-going reform of its economy and society, involving among other things the establishment of private property rights, a new company law and Western style commercial banking system, for such a pro-

gramme to work. Once currency union was under way, the time available for introducing such reforms would be very short.

It is little wonder that Mr Karl Otto Pohl, the Bundesbank president, was initially opposed to the idea of currency union. What is certain is that be will be the centre of attention if he manages to put in an appearance at the regular monthly meetings of central bank governors from the Group of 10 leading industrial countries and the European Community in Basie today and

Peter Norman.

THIS WEEK The meeting in Bonn on currency unification between the two Germanys stands out in a week packed with impor-tant releases of economic sta-

The bond markets in particular will await the outcome of talks with trepidation. A move by the Bundesbank to raise interest rates — by 0.5 per cent — has been mooted in financial markets for Thursday's fort-nightly meeting of the West German central bank.

Whatever happens, Euro-pean bond yields are likely to rise even higher than they are now in expectation of higher inflation following a merger between the East German mark and D-Mark. The rise of 5.3 per cent in German factory early warning sign of strong demand pressures.

In the UK, Friday's retail price index vies with the release of the January public sector borrowing requirement for the attention of the financial markets.

Following the sharp surge in spending revealed in Decem-ber's retail sales figures, the markets are looking for confirmation of a 1.4 per cent downturn in January's retail sales The size of the January Pub-

lic Sector Borrowing Rate, meanwhile, has been the sub-ject of continuous speculation. particularly by observers and participants in the UK glit-edged market. While January is the month UK compa-nies traditionally pay their taxes, this has not dimmed fears about the "incredible shrinking debt repayment."

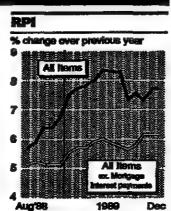
Recent small PSBR outturns have frightened the gilts market into fears of new issues and rising long gilt yields. Even so, the market consensus predicts a hefty £6bn (\$9.6bn debt repayment in Jan-

uary – a figure many analysis

would regard as optimistic

given predictions of a final

year PSDR of only about 27bn-28bn. Other notable events and



statistics, (with market fore cast consensus figures from MMS international, the financial research company, in brackets) include:

Today: UK, CBI/FT distributive trades survey, provisional retail sales (-1.5 per cent), for January. Producer input (flat) and Output (+0.7 per cent) prices for January. US, housing completions for December. apan, National Holiday.

Tomorrow: East German Chancellor Hans Modrow meets West German counterpart in Bonn. Switzerland, Basie, EC central bankers meet. Japan, trade balance for January. US, retail sales (0.8 per cent) for January. Wednesday: UK Industrial

production (0.2 per cent), manufacturing output (+0.3 per cent), January. US, business inventories (+0.8 per cent) Treasury auction of 2 and 5-year notes, France, consumer prices. West Germany, cabinet agrees supplementary budget. ecurities Repurchase.

Thursday: UK, unemployment (-15,000), average carnings (+9.25 per cent) unit wage costs, January. US, housing starts, building permits, January. Jobless claims, January. Friday: UK, Retail Price Index (+0.4 per cent). US, industrial production (-0.5 per

cent), capacity utilisation,

Trade balance, for December.

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WGermans warm to **Eurosterling issues**

WHILE their own bond market default than a groundswell of is tumbling, West German investors are showing signs of moving some of their assets into sterling as they turn into enthusiastic buyers of Euros-

terling bond issues.
It was the strength of German interest in Eurosterling that prompted Deutsche Bank to lead-manage its first floating-rate note in the sector when it brought a £250m issue for Leeds Permanent Building

Society two weeks ago.

The bank said its franchise for the deal rested on the isolation of certain specific areas of strong demand among German institutional investors, when it would not normally try to com-pete head-on in such a UK-oriented commodity product.

These investors are attracted to sterling for the strength of the currency and the yield in this case a running coupon paying 10 basis points over the London interbank offered rate (Libor) on a quarterly basis but some are wary of buying into fixed-rate issues. There is an indication that

some German fund managers are switching out of high-yield currencies such as Australian and Canadian dollars and moving into sterling, where they feel high short-term interest rates are strongly supported.

If the market's lukewarm

reaction to a recent short-term tric Credit Corp is a judge of its general perception of Cana-dian dollar bonds, then it is not surprising that German inves-tors are selling them.

The interest in Eurosterling

is evidence of a strategic shift in investor attitudes towards the pound, but this is more by

EUROMARKET TURNOVER (\$m)



Week to February 8, 1990

positive reaction. The recent buy-backs of ster-

ling bonds - the latest of which was completed on Friday by Credit Suisse First Bos-ton when it completed a buy-back of British Telecom bonds - have helped some underwriting houses locate pockets of demand. Some of this has proved to be even deeper than

initially believed. UK houses have been put out by the encroachment of some overseas underwriters bringing sterling issues to a market which saw Goldman Sachs and J.P. Morgan follow on from Deutsche Bank. Both of the lat ter deals were characterised by a significant amount of preplacement, where each manager placed more than half of the

The Eurosterling sector has seen an influx of building society paper in the past month as societies return to the market after, in some cases, an absence of a couple of years. In spite of a slowdown in the UK mortgage market, building societies are rushing to raise funds in advance of changes in the UK tax laws in April. These tax changes will allow wives to be taxed separately from their husbands on investment income for the first time, Some building societies fear they will lose wives cash to higher-yielding investments and are looking to the Euro-markets to raise money for the only area of the morbage sector that is buoyant. Nevertheless, building soci-

eties cannot rely on cheap funding and Eurosterling deals are not guaranteed a warm reception in the continued volatility that dominates bond

markets across Europe.

A £250m floating-rate note issue for Nationwide Anglia building society was a flop recently when CSFB had a difficult time organising a syndi-cate for a tightly-priced deal. Similarly, Friday's issue of a 275m deal for Ford Credit Funding saw a rocky reception in a turbulent gilts market. Barings organised a smaller syndicate group than it had hoped and was forced to sup-port the deal as the glits mar-ket dropped away.

Deborah Hargreaves Austria

INTERNATIONAL BANK LENDING

Regulators' leverage guidelines trigger fierce protest

by bank regulators in the US to allow them to track lending to heavily-indebted companies have brought strong protests from American banks.

Φ

The guidelines are nothing more than a yardstick to allow consistent measurement of exposure to so-called highly-leveraged transactions (HLTs). But they are already having an impact which extends beyond US boundaries.

The problem confronted by the regulators - the Comptrol-ler of the Currency, the Fed-eral Deposit Insurance Corpo-ration and the Federal Reserve Board - was the lack of a consistent definition of HLTs among banks themselves. This

was also confusing for inves-tors and credit analysts: a fin-ancing would often be defined as highly leveraged by one bank but not by another.

The first part of the regula-tors' definition is a purpose test: the financing must involve a buy-out, acquisition or recapitalisation of an existing business.
If it meets this test then an HLT is a transaction which at least doubles the subject's lia-

bilities and results in a leverage ratio higher than 50 per cent, or it results in a leverage ratio higher than 75 per cent, or it is designated an HLT by an agent bank in a syndication. Infrequently regulators may define other deals as HLTs.

simple definition of leverage -total liabilities divided by total assets. Total Habilities include all forms of debt and claims including subordinated debt and non-perpetual preferred stock; total assets include intangible assets. Another merit is that it covers US bank lending to companies in other

But the banks don't like it. For them the test is too simple and rigid. It fails to discrimi-nate between industries and is thus not subtle enough for a bank to use as an internal management measure of lever-age. Bankers also argue that the definition will constrain credit on companies in indus-

companies. Many bank complaints cen-tre on the potential for disruption of the credit markets. They say it will also damage the competitive advantage of US banks over foreign compet-tion and hurt their ability to

raise capital. Worst of all, from the banks' point of view, the guidelines have already become a stan-dard for measurement and reporting of HLT exposure — the SEC is using the definition. Yet there has been no public comment period in which banks could influence it. However, the banks'

guidelines be sensitive to the special debt requirements of the media and other industries have also failen on deaf ears. The regulators are about to tell US banks that special industry

exceptions will not be made. Regulators argue that the mere fact of labelling a transaction does not alter its nature; if it is sound banking practice to make a loan, it will be sound even if it carries an HLT label. The evidence so far suggests that it is not leveraged lending by the top layer of US banks, responsible for most loan origi-nation, that is worrying bank

regulators. Such bank expo-

The beauty of the test is its tries which traditionally operate on high levels of debt, such the deferred are unlikely to be at the deferred are unlikely to be as public utilities and media tries which traditionally operate on high levels of debt, such the deferred are unlikely to be as public utilities and media tries which traditionally operate on high levels of debt, such the deferred are unlikely to be a spectrum of industries and could in some cases be smaller to the deferred are unlikely to be a spectrum of industries and could in some cases be smaller to the deferred are unlikely to be a spectrum of industries and could in some cases be smaller to the deferred are unlikely to be a spectrum of industries and could in some cases be smaller to the deferred are unlikely to be a spectrum of industries and could in some cases be smaller to the deferred are unlikely to be a spectrum of industries and could in some cases be smaller to the deferred are unlikely to be a spectrum of industries and could in some cases be smaller to the deferred are unlikely to be a spectrum of industries and could in some cases be smaller to the deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of industries and could be deferred are unlikely to be a spectrum of the deferred are unlikely to be a spectrum of the deferred are unlikel could in some cases be smaller than many think.

But lower tiers of banks often lack the level and depth of expertise of their money-centre counterparts. Some US regional bankers will have a hard time convincing regulators that they were justified in

making certain loans. Yet you can trust a banker to turn adversity into advantage. There have already been complaints from some borrow-ers that the HLT definitions are being used by bankers as a stick to beat them into agree-ing to higher lending spreads.

Stephen Fidler

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January, 1990



BANK OF MONTREAL

Agent

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Berlusconi crushes peace proposal

By John Wyles in Rome

3Y 12 1990 .

The state of the s

tephen Fider

MR SILVIO Berlusconi told Italians at the weekend that they should stop worrying about concentration of ownership in the media, prepare themselves for a change of direction at the nation's hitherto most independent newspaper and leave him in peace to get on with the task of building a publishing empire of Euro-pean dimensions.

In a display of self-confident bravura, the Italian TV mogul who has now taken charge of the nation's largest publisher, Mondadori, appeared to rule out any possibility of a negotiated settlement with Mr Carlo De Benedetti, his bitter rival for control of the publishing

Out of courtesy to Mr Enrico Cuccia, the powerful honorary president of Mediobanca, Berlusconi said that he had

Gulf bank plans

first offer for

loan loss provisions in line

with prevailing international

The Government of Bahrula

had told the bank it would

allow people from countries outside the six-member Gulf Co-operation Council (GCC) to

trade its shares on the island's

stock exchange, making it the first Gulf bourse to do so.

"We expect a law announc-ing this to be issued in the next few days. It will set the

trend for other international

companies to be traded in local

markets," Mr Saudi sald.

examined the Cuccia peace proposal, based on a division of Mondadori's assets. However, he did not believe that "a problem between shareholders can be resolved by ceding assets which are fundamental to the Such triumphal intransi-

gence is rarely seen in Italy where businessmen and politi-cians are reluctant to make permanent enemies because of the relative scarcity of perma-But after a meeting of the

Mondadori board on Saturday, Mr Beriusconi tore up the normal ground rules. Having declared Mr Cuccia redundant, the dominant figure in Italian television, who is now a formi-dable publisher, said that Mr Eugenio Scalfari, the editor of La Repubblica newspaper, should resign "if he has a mini-mum of dignity."



triumphal intransigence

Mr Scalfari is violently opposed to Mr Berlusconi's newspaper he founded and has made no secret of the fact. Politicians who shared Mr Scalfari's concern about media concentration should realise that it was not dominant positions which counted, but "the eventual distorted use to which they can be put," said Mr Ber-

The politicisms should appreciate the need to build up publishing groups capable of competing internationally with the likes of Hachette, Bertelsmann and Mr Robert Maxwell. Mr Berlusconi had received various proposals to collaborate with Mr Rupert Murdoch who would certainly not wish to be

"sleeping partner." However, Mr De Benedetti is the owner of 55 per cent of Mondadori's ordinary and privileged capital. This could yet unhorse Mr Berlusconi when the special shareholders' meet-March, finally takes place.

Compagnie Bancaire up 4.5%

By George Graham in Paris

foreign investors COMPAGNIE Bancaire, the ARAB Banking Corporation French financial services (ABC), the Arab world's largest bank, is to become the first group, made net profits of FFr1.09bn (\$192.6m) last year, 4.5 per cent higher than in Guif-based group to offer its shares to foreign investors on the open market, Reuter

Operating earnings rose 25 per cent to FFr1.06bn but the group recorded only FFr37m of reports.
Mr Abdullah Saudi, president, said the bank would exceptional earnings, com-pared with FFr202m in 1988. transfer its entire 1989 profit of Mr André Lévy-Lang, chair-man, said that market condi-\$132m to loan loss provisions to pave the way for a planned \$250m public share flotation in tions last year had been diffithe first half of this year. cult for the group because of a "The board of directors felt strongly that, in the light of the forthcoming share placement, the balance sheet should sharp rise in interest rates. He warned that 1990 seemed likely to be even more difficult. Compagnie Bancaire be strengthened by bolstering

whose activities include home oans, consumer credit and leasing - funds its lending from the financial markets while high street banks, its

below market rates because of their deposit bases. Mr Levy-Lang said the group's return on equity, at 13 per cent, was below its target of 15 per cent, although this was better than the commer-

main competitors, can lend

He said the decline in profitability was entirely explained by UCB, the group's home loans subsidiary, which had been hit by early repayment of fixed-rate loans and which had difficulty matching the mortgage rates offered by the banks. These currently stand lower than rates on government bonds.

Cortal, Compagnie Ban-caire's savings division whose products include the main interest-bearing cheque

account in France, is now "solidly profitable," Mr Lévy-Lang said. Its 140 employees made FFr4m of net earnings last year on Cortal's FFr7bn of funds under management. Compagnie Bancaire contin-

ued its expansion outside France last year, principally through the FFr1bn acquisition of Humberclyde, the UK leasing company, but also through 10 other new subsidiaries or joint ventures in Italy, Spain, Belgium and the Netherlands. The group's foreign addi-

tions are, for the most part, in a start-up phase but still made net earnings totalling FFr52m. Cetelem, the group's credit card subsidiary, made net prof-its of FFr503m, while UFB Locaball, the leasing division, reached FFr338m.

Denison Mines in fourth-quarter loss

By Bernard Simon

A DROP in potash prices and in mineral and energy produc-tion pushed Denison Mines of Tovonto into a substantial loss in the fourth quarter of last

The resource company ABC made a net profit of posted an C\$8.7m (US\$7.8m) loss, compared with a loss of 2124m in 1988 after setting aside \$79m in provisions C\$123.8m a year earlier. Earn-

ings per share were not immediately available.

The 1988 figure included a C\$125m writedown on oil and

For 1960 as a whole the loss was C\$3.4m or 46 cents a share, compared with a loss after the oil and gas charge of C\$120.8m or C\$2.25 in 1988.

The company is "actively negotiating" the sale of its old and gas properties in Greece, Egypt, Italy and Spain.

Denison shares were briefly halted earlier this week after rumours that it was passing its anatterly preferred dividend.

quarterly preferred dividend. But the company said the divi-dend would be paid as normal.

Canadian dollar holds back Mitel

By Bernard Simon in Toronto

IN SPITE OF a slight drop in sales, Mitel, the Canadian telecommunications equipment maker recently put up for sale by British Telecom of the UK, posted a small profit in the three months to December 29.

Earnings for the third quarter were C\$2m (US\$1.68m) or 3 cents a share, after payment of preferred dividend, down from C33.5m or 4 cents a year ear-lier. Revenues slipped to C\$106m from C\$197.7m.

Earnings for the first nine months dropped to C\$3.6m or 5 cents from C\$10.4m or 13 cents. Nine-month revenue fell to C\$310m from C\$315.3m. BT said last month that it was re-evaluating its 51 per cent stake in Mitel. It has retained Morgan Stanley as an adviser.

European and Japanese companies are considered the most likely candidates to buy the Ottawa-based company, which is a leader in the manufacture of small computerised switch-

Mr John Jarvis, Mitel's pres ident, said the strong Canadian dollar dampened both sales and income and that the company continued to experi-ence "very competitive market pressures in North America." But the British market was strong and there was "excellent sales growth" in Europe.

Inventories were cut to C\$63.5m at the end of December, from C\$77.4m a year co lier. Gross margins for the nine-month period were unchanged from 1988.

Elkem pre-tax profit leaps to NKr 1.05bn By Karen Foesii in Oslo

ELKEM, the Norwegian light metals producers, posted a sharp increase in 1989 pre-tax profits to NKr1.05hn (\$163m) from NKr659m in 1988, in spite of a relatively weak final quarter. Turnover rose to

MKrighten from NKrt.75bn.
Fourth-quarter pre-tax profits fell to NKr15m from NKr161m in the third quarter and NKr172m in the 1988 fourth quarter.

Strength of | Matra tops forecast with 75% jump in net earnings

Matra's group sales rose to FFr21.7bn (\$3.8bn) last year,

from FFr19.3bn in 1988, while

net profits rose to FFr593m

The group agreed to merge

from FFr338m.

By William Dawkins in Paris

MATRA, the internationally ambitious French defence, telecommunications and transport group, yesterday announced a jump of nearly 75 per cent in net consolidated profits for 1989 on turnover up 124 per

The improvement, which exceeds the previous year's growth and earlier forecasts from Mr Jean-Luc Lagardère, Matra's chairman, reflects the strong expansion of the European satellite market and the first contribution from the defence electronics and space activities of Fairchild Indus-Matra last Jone.

IN A DEAL which indicates

Italian equipment maker.

based company. Ironically the purchase was

in Turin

its space activities with those of GEC Marconi of the UK just before Christmas and plans international alliances in new sectors in the years ahead. Matra and Marconi are hop-

ing to add the space activities of Daimler Benz, the West German car maker which last year took over the MBB aerospace group, to their joint venture. Defence and space-related

year, including FFr5.5bn for defence, which represents 30 per cent of group turnover, up from 25 per cent previously.

The space division saw a "spectacular" increase in

orders, from FFr2bn to FFr4.5bn, not including new business that came in with the Marconi partnership. Its main products are satellites for observation, telecommunica-

tions and scientific uses. The car and transport division produced a turnover of FFr7.8bn, while telecommunications managed sales of FFr5.7bn. Matra is the main

Fiat purchase wards off Japan

PFr8.3bn of Matra's sales last

the protective characteristics of companies in Italy, the construction machinery division of Fiat has just completed the acquisition of Benati, another

The acquisition appears to have been made by Flat to shut out Sumitomo Heavy Industries (SHI), the aggressive Jap-anese earth-moving machinery producer which had been in negotiations with Benati for the purchase of the Bologna-

made by Fiat-Hitachi, the joint venture company which Fiatalis, Fiat's construction machinery business, set up with Japan's Hitachi three years ago to make hydraulic excavators

Fiat said yesterday that the purchase of Benati, which had

sales of L120bn (\$96m) last year Corporate Intelligence Group, a and manufactures more than London-based machinery ana-1,000 construction machines a year, was a move designed to improve Flat-Hitachi's competi-Benati, which makes 420

excavators a year, also manutive position. The products of the two companies were com-plementary, it said. However, construction equipment ana-lysts believe the deal only makes sense if the prime res-son for it was to shut out Sumfactures more than 600 back-hoe loaders, wheeled loaders other areas of direct product overlap. Fiatallis has recently signed a joint venture with John Deere of the US to make itomo, because Benati and Fiat compete in similar products. backhoes in Italy and to design jointly crawler dozers and Sumitomo is thought to have discussed with Benati the pos-

Benati, which employs 450, was a family-owned business, but, for the past two years, has been under the control of financial institutions brought in after the company ran into difficulties.

Sumitomo has been seeking some form of production capacity in Europe during the past

Whirlpool to sell vacuum cleaner side

sibility of the Italian company

manufacturing Sumitomo's

range of hydraulic excavators at the rate of 3,000 units a year.

This would have made a sub-stantial impact on the Italian excavator market in which

Fiat-Hitachi – which makes

2,000 excavators a year - is

market leader, according to

By Clay Harris, Consumer Industries Editor

WHIRLPOOL, the US domestic appliances manufacturer, is putting its vacuum cleaner

subsidiary up for sale. Whirlpool ranks third in US vacuum cleaner manufacturing after Electrolux and White Consolidated but its sales, mostly own-label products for Sears, Roebuck, are small compared with the rest of the

group's business. The company does not give separate turnover and profits figures for the

The disposal will include a plant at Danville, Kentucky, requiring the transfer of production of los-makers and rubbish compacters to other facili-

Whiripool also said it would

close a factory at Mt Sterling, Kentucky, and shift output of KitchenAid dishwashers to Findlay, Ohio.

Built-in cookers made at the Ohio plant would now be man-ufactured in Oxford, Missis-

Whiripool expects a net 215 tobs to be lost through the

Notice of Early Redemption to Holders of

NIFCO INC. orporated with Itmited liability under the Commercial Code of Second.

£12,000,000

6 per cent. Sterling Convertible Bonds due 1996 Notice is hereby given that NIPCO INC, has, pursuant to Condition 6(8) of the Sonds, elected to redeem all of the outstanding Bonds on 31st March, 1990 at a redemption price of 1011,% of the principal amount thereof, together with interest accrued to the date of

redemption.

Payment of the redemption price will be made at the office of the Principal Paying and Conversion Agent, The Industrial Bank of Japan, Limited, located at Bucklendury House, Wallwook, London ECAN SHR or at the offices of the Paying and Converious Agents listed below together with all pertinent coupons maturing subsequent to 31st March, 1990 falling which the equivalent amount of any missing unmatured coupon will be deducted from the principal emount and will be repaid against surrander of the relative missing coupon not later than 5 years after the relevant date for payment of such coupon.

Sondholders have the option to receive payment of principal and interest in dollars by giving such notice to any Paying Agent no later than 22nd March, 1990 in accordance with Condition 8 of the Bonds. Bends and Coupens will become void unless presented for payment within a period of 10 years and 5 years respectively from the due date of redemption.

of redemption.

Bondholders are reminded that Ecude are Convertible into fully paid. Shares of the Company up to and including 30th March, 1990 pursuant to Condition 5(A), of the Bonds. The current effective conversion price, the exchange rate for conversion and the outstanding amount of the Bonds, as of December 31st, 1989, is \$4784.90, \$425.30 per pound steding and \$250,000 respectively. The closing price of common stock of full CO line, on the Tokyo Stock Exchange, as of January 12th, 1990 was \$2,400.

Britainal Benging and Conversion Acust.

Principal Paying and Conversion Agent.
The Industrial Bunk of Japan, Liested
Bucklersbury Hosse, Walbucok,
London SC4N 828

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Deced: 12th February, 1990

The Cresvale Group of Companies, the international market-maker in equity-related securities, announces that prices are now quoted in Japanese equity dollar warrants on REUTERS pages:

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(Constituted in the United Kingdom by Deed of Trust dated 6th December 1969

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M&G Securities Limited Three Quays, Tower Hill, Cazonove & Co. 12 Tokunhouse Yard,

London EC2R 7AN and up to and including 14th February 1980, for collection only, from the Company Announcements Office 46 Finebury Square, London EC2A 1DD.

12th February, 1990.

IN PARLAMENT - TOTALE OF LINING - RECORDS THAN-SIG

THE STANDARD LIFE ASSURANCE COMPANY

Hotice is hereby given that a Special General Monting of the Humbers of The Standard Life Assertance Company will be hold in the Read Office, 3 George Street, Edisburgh, on Tousday, 27th Fabruary 1890 at 2,00 p.m. for the purpose of numidating and, if thought fit, punning the following Resolution: That the Bill intituled the Act to repeal the Standard Life

Assurance Company Acts 1825 to 1896 and to make now provision for the regulation and management of the Company; and for other parposas, applied for by The Standard Life Assurance Company purposes, applied for by The Standard Life Assertance Georgeny is the mouth of Bosomber 1980 is hereby consented to subject to such additions, alterations and variations as Parlicement may A Hombor who in extitled to attend and note at the about A Moment heating is estitled to appoint one or more products to altered and note instead of him. A proxy need not a Mombor

of the Sompany. A form of Presy may be obtained from the

Scendary of the Company at 3 Energy Street, Edinburgh. Dated this 9th day of February 1990. By Grier of the Board of Physics A.S. DELL

Standard Life

GATOIL (SUISSE) SA Geneve "en ajoumement de faillite"

The Geneva court appointed "curateurs" are hereby informing whom ever is concerned that any bid for the purchase of the assets of Gatoli (Suisse) SA must be addressed to:

Gatoli (Subse) SA, c/o ATAG Hauciaire Generale SA 6, rue d'italie, 1204 Geneva.

To be considered any bid should be delivered by courier or by hand by 5 p.m. (Geneva time) on Wednesday 28th February

The ADR

Security Pacific's approach to American Depositary Receipts

How it works: Operating as part of The Sequor Group, the American Depositary Receipts professionals at Security Pacific take a powerhouse approach to this international field of financial specialization. The emphasis in this regard is entirely on teamwork as the critical competitive strength ... tearnwork as it functions in every area of major concern.

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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Investors wake to Tokyo and Bonn

US bond investors that events in Tokyo and Bonn are getting to be every bit as relevant as those in downtown Washing-ton, Chancellor Helmut Kohl

saw to it last week that the message was driven home. The West German leader's latest bid for a place in the history books as the man who unified Germany - his proposal for German monetary union - sent the D-Mark bond market into a spin. The result

market into a spin. The result is that rarely have yield spreads been so slim among the benchmark issues of the US, Japan and West Germany. By Friday West German bond yields had risen 60 basis points on the week and this had narrowed the differential between the new US Treasury between the new US Treasury benchmark and the German benchmark to less than 10 basis points. The new US 30-year bond was trading at 8.33 per cent and the West German 7.125 per cent 1999 maturity closed yielding 8.25 per cent. The yield spread between US and Japanese benchmarks also narrowed last Friday to 170

harrowen last Friday to 170 basis points, Japan's No. 119 was yielding 6.625 per cent. Clearly, fears of higher infla-tion and interest rates in Germany are the D-Mark bond market's response to Mr Kohl. These concerns, along with a supposedly well-placed Japanese leak in Washington last week to the effect that the Bank of Japan will not be pushing rates up before April, imply that prospects for short-term stability in any of the world's leading bond mar-

kets are anything but bright. Mr Robert Brusca, chief economist at Nikko Securities, argued on Friday that the inflation problem is not really that serious for Japan because it is worth stripping out the Japanese consumption tax in order to get a better feel for the the situation in Bonn and Tokyo means there will be something of a "floor under US interest rates for the time

The other corollary of higher Japanese and German bond yields is, of course, the lesser enthusiasm for US Treasury paper on the part of foreign investors, who to date hold 13 per cent of the US Treasury's overall debt. Last week saw th refunding of \$30bn of three-, 10and 30-year US Treasury paper, which was said to be a fairly domestic affair. It is always hard to estimate Japanese par-ticipation, but a wide range of analysts reckoned that even though the Japanese went for a portion of the three- and 10-year maturities, last week still saw one of the lowest levels of mese participation in several vears.

In overall terms the auction met a good, but by no means exceptional, response. Primary dealers and some US newspaper commentators had been busy trying to talk up the yields ahead of the auctions. In the event they did not realise their hopes of a 30-year yield as high as the 8.59 per cent seen high as the 8.59 per cent seen on 10-year paper; the long-bond level was 8% per cent instead. The Treasury received bids totalling \$76.4bn for its three new securities although demand was strongest for the three-year paper (\$34bm of sub-acriptions).

This in itself is not surprising; investors like both the maturity and tradeability of three-year issues, and the yield of 8.43 per cent was attractive. On Friday, with a sigh of col-lective relief that the anction was out of the way, the market rallied strongly. This was partly because of a positive response to Producer Price Index (PPI) figures. The Janu-Japanese consumption tax in order to get a better feel for the underlying rate. But Mr Brusca agrees with other analysts such as Salomon Brothers that index (Fr) ingures. The cant, a ary PFI rose by L8 per cent, a sharp gain which, none the essential distribution of the effect of higher energy

Ferruzzi to acquire stake in bank A Ferrusei collicial said the

FERRUZZI Finanziaria, the Italian food, agricultural prod-ucts and financial services group headed by Mr Raul Gar-dini, is negotiating to take a minority stake in the Londonbased Italian International Bank (IIB), which is controlled by Italian bank Monte dei Pas-

deal was close to receiving Bank of Italy approval although it still required clear-ance from the Bank of England. Monte del Paschi wants to sell its 40 per cent of IIB. It is not yet clear whether Ferrussi, would acquire the whole stake or part of it,

prices due to last December's frigid weather.

Meanwhile the market was pleased to see that the PPI "core rate," which excludes food and energy, rose by 0.1 per cent for January, a smaller increase than had been expected. The rally saw sharply higher prices, especially in the long end of the market. Yields on the three, 10- and 30-year bonds declined on Friday from their auction levels by 21, 29 and 17 basis points respec-

The minutes of last December's meeting of the Federal Open Market Committee (FOMC) were also out last week, showing to no one's surprise that the FOMC had voted to seek wenters roller Park to ease monetary policy. But few in the market think that the FOMC meeting of last week (February 6 to 7) is likely to have seen a decision to ease credit policies. The Fed's line continues to be one of vigi-lance on inflation.

The Fed's stress on battling

inflation may need to be re-ex-amined at the end of this month when the revised GNP figures for the fourth quarter of 1989 are released. Some economists believe the revision will show a fourth-quarter growth rate even lower than 0.5 per cent, suggesting greater aluggishness than the Bush

Administration would like to

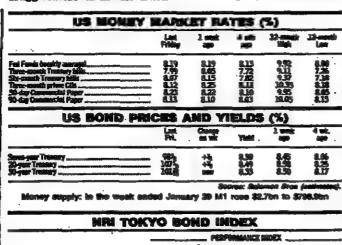
Next week will see another batch of key statistics, incind-ing data on retail sales, hous-ing starts and the merchandise trade deficit. Housing starts may improve on the basis of improved weather conditions, but industrial production and capacity utilisation figures are expected to reflect problems related to the car sector. The macro-economic statis-

tics will continue to provide bond investors with their regular diet of technical stimuli. But putting aside raw data and the continuing guessing game over the Fed's monetary policy plans for the spring, the past week's events suggest the importance of keeping an eye on events in West Germany grant, fore

For the old timers in the US hond market, the need to keep a look-out on the Bundeshank and Bank of Japan instead of concentrating on Fed-watching means something of a change

Smart American investors already see the bond market in global terms. Those who have traditionally been more ethno-centric about their analysis will simply learn to do so, by hook or by crook.

Alan Friedman



December 1988 on 188 Last · 6.94 149.79



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UK GILTS

Frayed nerves as Bunds take a fall

PERFORMANCE indicators for European government, bond markets in the year 1848 are few, but what data there is suggests that the gilt-edged market outperformed its conti-nental rivals by a large mea-

The 3 per cent Consols, as they then were, traded in a 62 basis point range during that revolutionary year for an aver-age yield of 3.51 per cent, up from an average yield in 1867 of 3.44 per cent. In Paris the collapse of Lou-

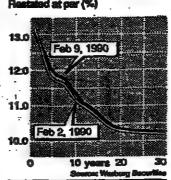
is Philippe's regime sent the yield on 3 per cent Rentes to 9.25 per cent; a year earlier it had been trading quietly around 3.8 per cent. The aver-age yield on Prussian state bonds was 4.6 per cent in 1848, up from an average of 3.75 per cent in 1847.

Age has not improved the ability of Europe's band markets to deal with local upheavals. The prospect of German monetary unification, which led to startling price falls in the German bond market, bad repercussions throughout Europe and left markets on

French OATs ended the week touching 10 per cent; long gilts touched 11 per cent on Wednesday and ended the week just below 10.35 per cent, having, some analysts believe, successfully decoupled them-selves from the German bond

Whether the apparent decoupling of gilts from Bunds

UK gilts yields Floatated at per (%)



proves durable depends on the interpretation placed on last week's sharp falls in German bond prices. If what happened was simply a reaction by investors to uncertainty then a return to normality can be expected once this subsides. ne implications for gilts are, therefore, transitory.

If, however, the German

bond market was saying something about expectations for German inflation or, more interestingly, about an upwards rerating of the real interest rate necessary for scarce German savings then the situation is altogether dif-ferent. And that becomes a sitnation from which Britain and the gilt-edged market cannot

Equity markets started the year singing the praises of eco-nomic reform in eastern

returns they saw in store from potential development. But, as Mr John Shepperd at Warburg Securities points out, if the Bund market is saying the cost of the development of the east is higher real interest rates in the west then we all may have to live with more sluggish growth than would otherwise

have been the case. Leaving "megatrends" aside, others in the market have rea-sons for thinking that the gilt market's relative stability may be short lived. Mr Stephen Hannah at NatWest Capital Markets points out that much of the recent foreign interest in the glit market may prove transitory.

Foreigners have shown a lik-ing for the short-to-medium end of the market over the past couple of weeks, but he attributes this to uncertainties in the major markets, viz, the dol-lar, yen and D-Mark. The current high level of short-term interest rates has attracted for-eign investors waiting for the US Treasury to complete its quarterly refunding and the outcome of lower house elec-

tions in Japan.
The Bank of Japan is likely to raise official interest rates after the February 18 election and that could prove to be the top of the Japanese interest rate cycle. The Bundesbank is more than likely to do the

A move in any of these markets which clarifies uncer-

Europe and counting the extra tainty is likely to be bad for

gilts. The Bundesbank takes a serious view of developments in the Bund market. Other things being equal, which they are not, a rise such as occurred last week would have meant a swift rise in short-term official rates to dampen fears of infla-

There are few in the market who do not think the Bundesbank will raise interest rates and, as Mr Peter Spencer at Shearson Lehman Hutton points out, it will be extremely difficult for the UK not to follow suit. From the Bank of England's point of view the reaction of sterling will govern its policy recommendation. But there is little room to manoeu-

The Treasury, for its part, thinks the strain in East and West German unification will West German unification will be taken by West German fis-cal policy. The Bundesbank will keep monetary policy tight, but will not tighten it further, while the West Ger-man budget deficit will be left to sort out the developing country problems besetting

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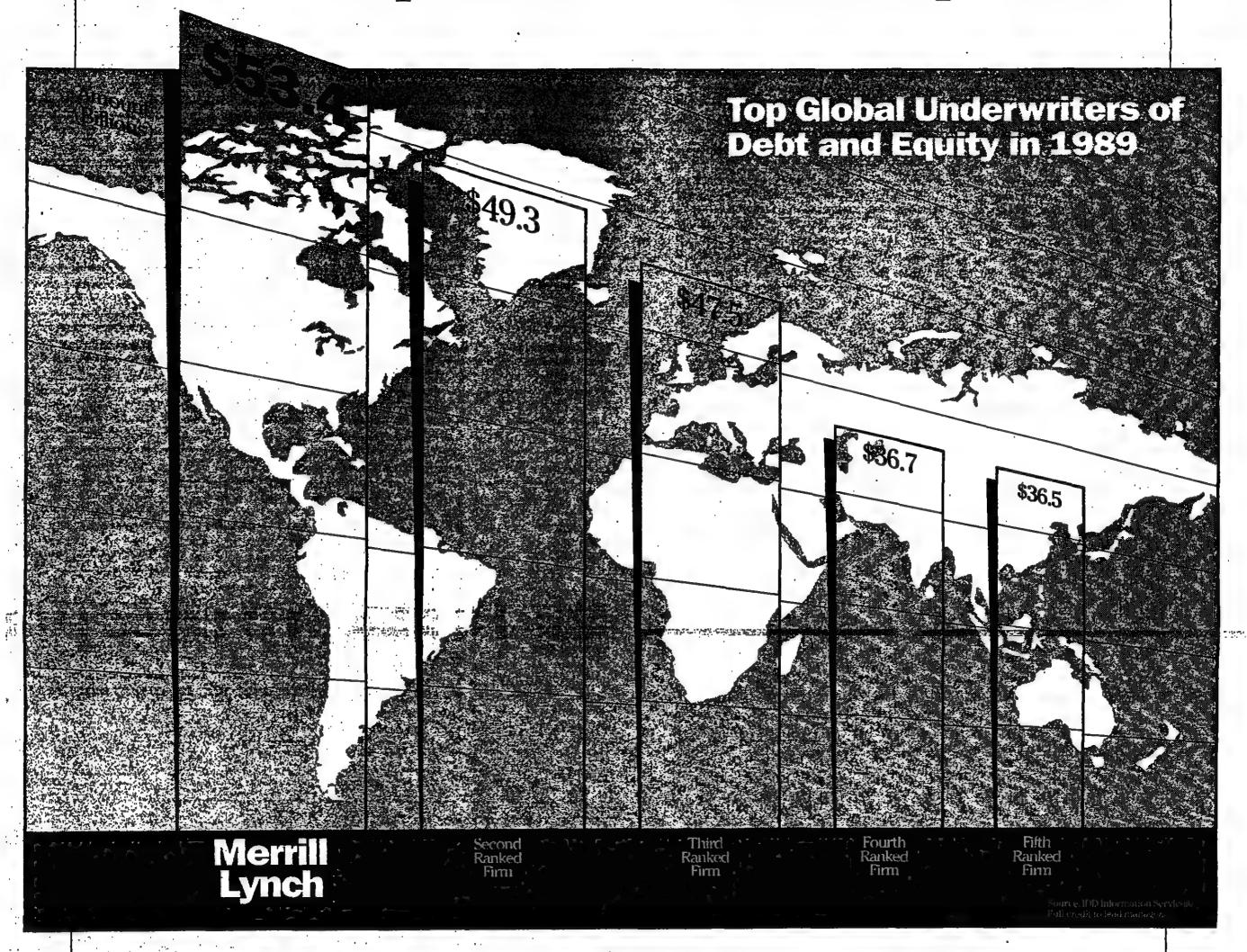
Decoupled or not, the gilt market faces an increasingly uncertain future from an international perspective, while at home, this week's data, especially the public sector accounts due on Friday, are expected to offer little joy.

Simon Holberton

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In debt and equity underwriting, we have a particular area of expertise.



It's client service—worldwide.

Once again, Merrill Lynch has achieved the premier position as the leading underwriter of global debt and equity, raising a total of over \$53 billion in 1989. We also led all other firms

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We believe this kind of

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Ratners calls off plan to bid for Dixons

By Maggie Urry

RATNERS, the jewellery retailer headed by Mr Gerald Ratner, had worked on a bid for Dixons, the electrical retailer, for some weeks, at a price of up to 160p a Dixons

However, the plan was dropped 10 days ago because Ratners decided the earnings dilution involved would be too

A tie-up between the two groups has been discussed before. Mr Stanley Kalms, Dixons' chairman, is believed to have approached Mr Ratner's father 15 years ago with a takeover proposal. Mr Ratner and Mr Kalms have talked about a merger at various times over the last 18 months.

Institutional backing for the bid had been assembled. But recent bad news from other heavily-borrowed companies exposed to consumer spending — such as the problems at Coloroll, the home furnishings group, and the second refinancing at Lowndes Queensway, the furniture and carpet retailer – made institutions wary of underwriting the pro-posed deal and the level of debt it would leave Rainers with. Last December Kingfisher,

the retail group which owns the Woolworth, Comet, Super-drug and B&Q chains, bid 120p a share for Dixons. That bld was last month referred to the Monopolies and Mergers Comission which is due to report by April 27. Ringfisher said yesterday it had not decided whether it would bid for Dix-ons again if the Monopolies sion allowed it to.

The 160p a share offer Rat-ners was working on — which would have valued the whole of Dixons at close to \$300m — is thought to be higher than Kingfisher would be prepared to pay if the Monopoles Com-mission clears the bid. But Dixons stressed yester-day that it was not a price the

group would have accepted; more a starting point for dis-cussions. Dixons shareholders might, however, have been prepared to accept the offer.
Ratners is now expected to look at making a bid for Kay's, a US jewellery retailer, which is valued at around \$300m and has a further \$200m of debt. It has 500 shops but is significantly less profitable than Rat-ners' US jewellery business which has the same number of

Court decision crucial to outcome of Wilkes bid

By Clare Pearson

of a takeover hid from James Wilkes, the listed engineering, printing and packaging com-pany, is to be decided in a High Court hearing starting this

James Wilkes has claimed receipt of irrevocable undertak-ings to accept its £11.5m offer for Easterbrook in respect of more than 50 per cent of the ordinary shares, including the seeking injunctions preventing a per cent which is being contested. The Court will have to decide among other things the question of whether powers of their agent.

THE FATE of a 3 per cent strong given to a Sheffield shareholding in Easterbrook solicitor were valid, effective or Allcard, the privately-owned sheffield cutting tools concern, which is crucial to the outcome of a theorem bld from James and the 3 per cent block of a sherower bld from James and the 3 per cent block of a sherower bld from James and the 3 per cent block of a sherower bld from James and the 3 per cent block of a sherower bld from James and the 3 per cent block of a sherower bld from James and the sherower block of a sherower b

Record Holdings, a power toel manufacturer also based in Sheffield, launched a £13.2m "white knight" bid last week. Directors of Easterbrook and certain other shareholders representing about 29.7 per cent of the ordinary shares have accepted this offer.

Revoking shareholders are seeking injunctions preventing Mr Andrew Coombe, of solici-tors Keeble Hawson, from act-

British Telecom

Returns might not look acceptable in BAT bid

By Nikki Tait

PRICE Waterhouse, the accountancy firm which has been acting for Sir James Goldsmith's Hoylake consor-tium, has testified that if the consortium was obliged to pay as much as £10.50 a share for BAT Industries, the UK con-glomerate which it has been trying to take over, the invest-ment returns might not look

The statements were made by Mr Stephen Barber from Price Waterhouse, in hearings before the Illinois insurance

department last week.
Hoylake and Axa-Midi
Assurances - the French
insurer which would buy BAT's US insurance subsidiary, Farmers Group, from the consortium - are currently seeking approval from nine state insurance departments for the potential change of ownership at Farmers. Illinois is the first state to hear the

Towards the end of last week's hearing, Mr Barber -under cross-examination from the Farmers' lawyers - was asked when the return from acquiring RAT might begin to look unacceptable.

"Even at the price of 28.50 (per share), the return is not yery large," he commented. "It reasonable return for the shareholders (of Hoylake)." The consortium suggested last November that it would currently pitch an offer at £8.50 a share, with at least 80 per cent coming in cash. "Beyond the price of £10.50," continued Mr Barber,

"one would have to look very carefully at whether one should go ahead with trying to buy BAT". He stressed that this was only a personal view, and that he had no idea what return Hoylake investors were seeking.

point up importance to BAT of being its current share price relatively high - thus dimin-ishing the potential margin for Hoylake. It closed on Friday at

806p. Heanwhile, attention in the US insurance hearings is likely to shift to Los Angeles this week, as California becomes the part state to hear the case.

Nightmare on Throgmorton Street

Philip Coggan on share suspensions, the Stock Exchange's most powerful weapon

USPENSION OF a company's shares is one of the worst nightmares that can befall investors. All too often the company drifts into limbo, in which informa-tion becomes a scarce commod-

The Stock Exchange argues that suspension prevents informed investors benefiting at the expense of the majority. The problem is that suspension is the Exchange's most powerful weapon; once it has been fired, there is little that can be done to protect shareholders. In an attempt to give shareholders some idea of the current situation, the Financial Times has investigated the current denizens of limbo. In some instances the news is hopeful; in others depressing in many, the outlook is distinctly hazy. To refresh memories, the last quoted price is given and to help puzzled investors, we have shown the name of the chairman, where appropriate, and a head office number,

when known.

The market capitalisation figures are included, not to give an idea of the present value of the group, but to give an idea of the amount of shareholders' investments at stake. Sadly, in many cases, the shares will be worth much less and in some cases, nothing at

Blanchards

This USM-quoted company has sold most of its main businesses, retaining corporate interior design and overseas landscaping subsidiaries. A reverse takeover by a property company, which prompted the suspension of the shares last April, has been abandoned. Acquisitions are being pur-sued.

Suspension price: Gp Market capitalisation: \$3.80 Head office: 01-235 6612

Cambridge inst This scientific and optical instrument company was one of the Government's first privatisations. A spats of deals has followed its flotation and its most ambitious merger to date with Swiss group, Wild Leits, prompted the shares sus-pension last July. The deal has received regulatory approval in Continental Europe and the UK but is still completing the Suspension price: 58p Market capitalisation: £56.6m Chairman: Mr Kenneth Good-

Head office: 0954 782020

Charterhali

This company is the UK subsidiary of Westmer, the Australian investment group run-by Mr Russell Goward which went into liquidation last week. Charterhall shares were suspended in December because of Westmex's prob-lems. The UK group is having discussions with its lenders and Coopers & Lybrand have been called in to produce a consultancy report on the com-pany's operations. The hope is that the listing will be

Suspension price: 912p Market capitalisation: 1 Head office:34 544

Craton Lodge

This USM-quoted product This USM-quoted product development consultant is understood to have abandoned plans for a reverse takeover by FTC, a publishing and marketing group. The company's shares were suspended in October. Craton, which made an interim loss in the six months to March 1989 is now mirrouns. to March 1989, is now pursuing a further acquisition and capi-

tal funding package.

Suspension price: 43p

Market capitalisation: \$2.5m Chairman: Mr David

Head office: 01-602 7272

Diamond Group

Diamond has had less than a sparkling time on the USM gince it was floated in Aprillast year. Its shares were suspended in October because suspended in October because of problems in its Yorkshire mechanical breakdown insurance business, which is set to be sold. Investigations into the company's problems by Touche Ross and Arthur Anderson were launched and the reports have yet to be completed.

Surpension with Sin

Suspension price: 65p Market capitalisation: £12.5m Chairman: Mr Derek Dia-

Office: 041-833 9797

James Dickie

This Scottish forging and castings manufacturar expects shareholders regarding a reverse takeover by Goldstar, a private engineering group. Shares were suspended December panding the deal. Suspension prict: 180p Market capitalisation: 28.8

Bend office: 0222-265041

Dominion Inti

Administrators were appointed on January 22 to oversee the affairs of the financial services and property group. They have said the chance of shareholders recovering any of their invest-ment is "extremely remote." The shares were suspended on September 21 last year and in October, the company can-celled its final dividend because it lacked distributable

Suspension price: 52p Market capitalisation: £34.7m Administrators: Mr Michael

ALLIANCE - LEICESTER

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the seventh Interest Period from

Interest payable on 8th May, 1990 will amount to £376.42 per £10,000 principal amount.

Agent Bank

Price Waterhouse. 01-378-7200.

Eagle Trust

New chairman Mr David James is attempting to resuscitate this Midlands mini-conglomertans miniaring interesting the same of a relisting for the main group.

After an investigation by the Serious Fraud Office, a warrant was recently issued for the arrest of Mr John Ferriday, former chairman, on a charge of stealing £13.8m from the

company, Suspension price: 18p Market capitalisation: £137m Chairman: David James Head office: 021-550 4958

Falcon Resources

Falcon is the grandaddy of all suspended shares, having last seen dealings in October 1985. Accounts for the years 1985, 1986 and 1987 were finally produced in October 1989 but could not be sent to shareholders because of insufficient funds. They revealed that shareholders funds had been wiped out by losses. An ECM has now been called to discuss the group's refinancing needs and plans to raise £4.75m are, the company says, at an

Suspension price: 45p Market capitalisation: £20m Chairman: Mr James Butter-

Feltrim Mining

This Third Market Irish company was suspended last July after Mr James Fitzsingsons and Mr Derek Kelly took a 25 per cent stake. A subsequent merger with Pan Andean Resources has been abandoned. Feltrim is now in merger discussions with mother mining company.

Suspension prior 15p Market capitalisation: £1.hm Cachman: Mr Bernard Col-

Head office: 0001 451 364

James Forguson

Ferguson grabbed the head-lines as the parent of defunct mes as the parent of definite investment group Barlow Clowes. When Barlow crashed, so did Ferguson. Peat Marwick, the group's administrators, who have been arranging asset sales, did not return calls last meet.

ediem Group

The safety and sports footwear group is in the middle of its second share suspension over the last year. The first suspension allowed it to buy Phipps, the sportswear group; the current histus centres round the sports allowed by Cadonard by Cadon rest matus centres round the reverse takeover by Cadogan Oakley, a men's accessories and furniture group. The deal is still proceeding and shares are expected to resume trading in April.

Suspension price: 709 Market capitalisation: 28.9m Chairman: Mr John Chaplin Head office: 0604 294191

Memory Computer This Irish computer systems group had its shares suspended but December. A management buy-out of its Irish operation

BOARD MEETINGS

Alliance & Leicester Building Society £50,000,000

Subordinated Variable Rate Notes 1998

8th February, 1990 to 8th May, 1990 has been fixed at 15.4375% per annum.

Merrill Lynch International Bank Limited

Fixed Interest

FT-Act All Share

Ordinary ... Gold Mines .

Gercke and Mr Mark Homan, has been abandoned. The company is expected to announce substantial losses shortly and is arranging a financing pack-

Suspension price: T2p Market capitalisation: £29m Company broker: Davy

Noble & Lund/Cooks The shares were suspended in

March last year after the dis-covery of accounting errors at Kwiklok, a subsidiary which has since been sold and gone into receivership. The planned reverse takeover by New Zealand company Theseus Invest-ments has since been abanments has since been aban-doned, although Antipodean businessman Mr Ross Martin is still on the board. Chairman, Mr Roger Looker, resigned last month. The company, renamed. Cooks Industries, is negotiating with another group with a view to a requotation, probably on the USM.

Suspension price: 96p Market capitalisation: £12.7m No current chairman

Pavion International The "Wet'n'Wild" cosmetics company, one of the USM's worst calamity stories, is now in administration. The admin-

istrators are attempting to sell the group's US businesses and any return to shareholders will epend on the prices received. Suspension price: 3p Market capitalisation: 15.7m

Administrator: Mr John Soden, Price Waterhouse 01-378

Ross Group

Formerly known as Ross Consumer Electronics, this USM company is being reshaped by a management buy-in team led by Mr Roger Shute. The shares were suspended late last month pending shareholder approval of a 28.5m rights issue and two acquisitions.

Suspension price: 156p Market capitalisation: 215.4m Chairman: Mr Roger Shute Head office: 01-140 5365

Scottish Ice Rink

Shares in this leisure company, and long time shell, were suspended in November 1988 when it planned to acquire the Pheasantry, a wine bar and restaurant company. The deal fell through and the group is still seeking to make another acquisition and obtain a relist-

After a series of embarrassing

announcements about accounting errors and profits warnings, the Bradford-based shop-fitter went into receivership in October last year. Receivers Cork Gully are selling off businesses to repay creditors but have decided that the ordinary shares have no value.

Suspension price: 42p Market capitalisation: 23.7m Receivers: Michael Jordan at Cork Gully 01-606 7700

Staks Holdings

Another victim of the retailing slump, Staks went into receivership in January. The cane furniture chain was floated on the Third Market in December 1987 and made a pre-tax loss of £1.64m in the year to April 1989. The receiver has determined that the shares have no value and shareholders will shortly receive a circular explaining the position.

Suspension price: 512p

Market capitalisation: £2.5m

Receiver: Richard Rees, Price Waterhouse 0533 531981

Systems Connection

Shares were suspended in January pending the acquisition of a US computer peripherals company larger than Systems itself. This Third Market company was previously known as Sonic Tape.

Suspension price: 3p Market capitalisation: £600.000

Chairman: Mr Derek Moon Head office: 0753-21610

Titaghur Jula

Titaghur was the best performing share of 1988, a year in which dealings were suspended because of failure to pay the annual listing charge. The shares round ahead, on their return to trading, because of the involvement of Mr Reg Brealey, who planned to restructure the textile group. But Mr Brealey is now facing insider dealing charges, which he denies, and the Stock Exchange is insisting that the shares stay suspended until the situation is clearer. the situation is clearer.

Suspension price: 1628p Market capitalisation: £34.1m

WB industries Shares in this Midlands manu-

facturer were suspended last week, pending an acquisition announcement. The group recently acquired two spring manufacturers and made a five-for-two rights issue. Suspension price: 26p Market capitalisation: 19.5m Chairman: Mr Grahas

Rosehaugh property scheme

to increase cash flow ROSEHAUGE, the property cally, it is suggested that it will development and investment sell its half share of Rosehaugh group which last week surprised the City with a 2125m Stanhope Properties. development and investment group which last week sur-prised the City with a £125m call for funds, is seeking to increase its cash flow with an aggressive campaign to sell off residential properties, writes

Rosehaugh Copartnership, the subsidiary handling the sales, appears to be following Regalian Properties, which last week offered a pay-half-now-and-the-rest-later scheme on £180m worth of London

The residential sales scheme is unrolling against the back-ground of persistent speculation that Rosehaugh wants to sell some of its larger commercial properties in order to reduce indebtedness. Specifi-

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition: Northam Platinum (Section: Mines-Diamond & Platinum). Oxford Virology (Third Mar-

ANDELSBANKEN DANEBANK (a bank established units:
Danish Benking Law)
FIRST NOTICE TO HOLDERS OF
ANDELSBANKEN DANEBANK
ECU 38.008.00 9%%
SUBORDINATED BONDS DUE

The holders of 9% subordinated bonnis (1963-1992) issued by ANDELSBAN. End 1992 bonned by ANDELSBAN. End 1992 below to a General Meeting to be held at, 3, ran La-Payena 75099 Paris (France), on March 2, 1990 at 3 p.m. in order to consider the following agendar. Tenna said Conditions relating to the sections "Events of default" of the bonds. The approval of the proposed mergic of ANDELSBANKEN DANKERANE into UNI BANK AS.
Decision on the section of recording the documents of the general meeting, the documents of the proposed at least five days before the date fixed for the meeting, at the offices of the banks having patricipated in the pleating of these bonds and from whom provides or admission cards can be requested. This meeting shall be validly beld if the holders of twenty five per cent of the constanding bonds equitaled to

THE BOARD OF DIRECTORS

U.S. \$300,000.000



Republic of Indonesia

Floating Rate Notes due February 2001 in accordance with the provisions of the Notes, notice is hereby given that for the interest Period from February 12, 1990 to August 13, 1990 the Notes will carry an interest rate of 8%% per annum. The interest payable on the relevant interest payment date, August 13, 1990 will be U.S. \$10,901.04 and U.S. \$436.04 respectively for Notes in

ominations of U.S. \$250,000 and U.S. \$10,000. By: The Chase Manhattan Bank, N.A.

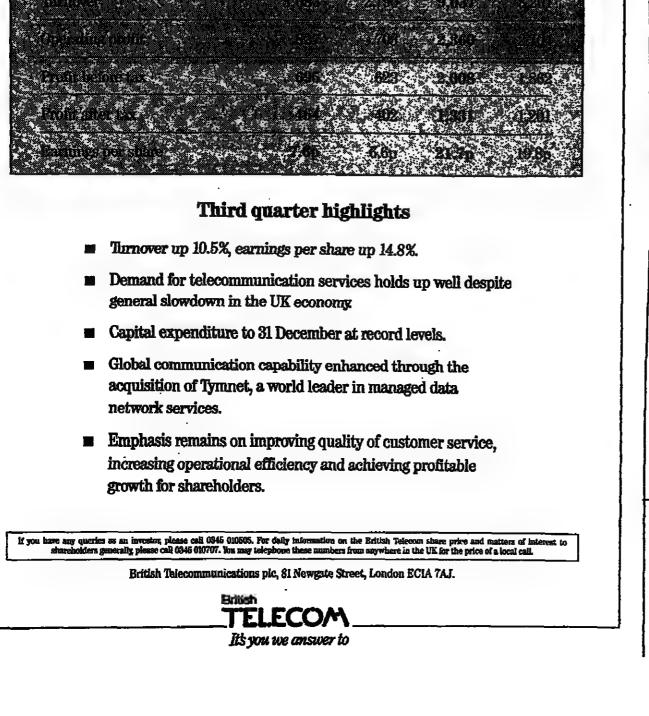
London, Agent Bank February 12, 1990



BANQUE NATIONALE DE PARIS USD 400.000.000 Boating rate notes 1984 due 1995

The rate of interest applicable to the interest period from 8 Feb-ruary 1990 to 8 April 1990 as determined by the Reference Agent is 8% per cent per annum namely USD 433,65 per Sond of USD 10.000.

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In 1988, Hurricane Gilbert delivered a hammer blow to Jamaica's ailing

economy. Since then, the Government has tried to restore equilibrium to the inherent financial imbalance. Andrew Marshall

examines the attempt to leap from the Third World to the First.

Storm clouds persist

"SOON COME" is an all-purpose Jamaican phrase, which can be applied to the arrival of a drink, a plane, or Judgement Day. It carries so little sense of immediacy that it makes "maiana" sound like a military command.

For Jamaica, prosperity and economic security soon come: when the process of structural adjustment is complete and the \$4.5bn debt is paid off. The country has languished under these twin burdens for most of the period since independence in 1962, and a new IMF programme came into effect this month, promising little but austerity for most of the year. Progress, for most Jamaicans, must seem iliusory. Michael Manley, leader of the govern-ing People's National party government, confronts most of the same problems in the 1990s which he faced in the 1970s. Ironically, the main productive sectors of Jamaica's economy - tourism, bauxite and even agriculture - are doing well. But, as Mr G Arthur Brown, Governor of the Central Bank, points out, it is financial imbalances which undermine the economy, in particular the inability of exports and tourism earnings

to sustain imports and debt

servicing repayments:

Under Mr Edward Seaga. Prime Minister from 1980 to 1989, Jamaica began to tackle the accumulated structural problems that hampered development. Imports were liberalised, privatisation begun, and the burden of taxation was shifted from producers to con-sumers. But Mr Seaga's Jamai-can Labour Party paid a heavy electoral price for his policies: he was voted out of office in

Despite Mr Seaga's efforts, Jamaica is still incapable of balancing production and con-sumption. Last year, borrowing, imports and demand for foreign exchange spiralled, putting pressure on the currency and the current account. This has necessitated another IMF programme, announced on February 1. In return for access to a 15-month IMF standby credit of SDR82m (\$108m), Jamaica has agreed to continue the credit squeeze, raise food prices by 19 per cent, and devalue the currency from J\$6.50 to J\$7.00 to the US dol-

Mr Manley, who was Prime Minister from 1972 to 1980 and first went to the IMF in 1976, must feel a sense of déjà vu. But the country, and Mr Manley, have changed since then. He is no longer the outspoken



Classic reflections: Devon House in Kingston, a reminder of Jamaica's colonial past, now houses shops and a restaurant

socialist critic of the international economic order that he

The PNP government has adopted much of the outgoing Seaga government's agenda, continuing with the process of structural adjustment. It has also accepted the IMF's programme; but then, as Mr Manley and his ministers make clear, it had little choice.

Mr Manley's conversion to orthodoxy is one element in the apparent consensus about Jamaica's economy, This has produced a temporary, if unstable political truce between the JLP and the PNP. Mr Bruce Golding, chairman of JLP, suggests there is a need for both narties to co-operate in putting ward the unpleasant policies that are needed to sustain development.

The socialist ideas of the 1970s, inside the PNP and outside, appear out of favour and the sharpest critique of government policy comes from the free-marketeers among Jamaica's private sector. The injunction to "struggle for a worker's government" is painted on a wall by the rail-way tracks at Marcus Garvey Halt. But nobody seems likely to claim Mr Manley's intellectual baggage from the left lug-gage locker. Even the Workers' Party of Jamaica has discarded its constitution and pro-

begin talks with the commercial banks on rescheduling,

and with the Paris Club; but

the greater part of Jamaica's debt is to multilateral institu-

gramme, and is in the process of defining a new strategy. Carl Stone, Jamaica's leading polister, feels the consen-sus is only skin deep. The nat-ural pressures of political competition will lead the JLP to fault the government's han-dling of the economy. Neither will the PNP be immune to the stresses of carrying out its present policies: "there's going to be a lot of pressure within the governing party to rethink the strategies of the 1970s, pressure from the left," he

The wild politics of the 1970s. when the gunmen threatened to overthrow the ballot box, show no signs of returning. "People had hopes for change, but nothing has changed, so they've retreated to apathy and cynicism," says Mr Stone. But the possibility of social unrest still exists, given the dispropor tionate pressure that the IMF agreement places upon the poor. "Manley was elected on the basis that the Seaga administration had failed, and he would make progress that would benefit the poorer sections of society," David Jessop

of the West India Committee points out. With a \$4.5bn debt, and the necessity of annual payments of some \$750m on it, there are few options open to Mr Manley. The government is about to

tions, and cannot be rescheduled. Removing this millstone would require reform of the institutions themselves. In the face of domestic austerity and lack of investment, the government is targeting foreign capital, private and official. The opportunities for investment are good in the longer term, the government says. But inevitably, the present financial situation is a deter-rent. "Their biggest problem is how to secure foreign invest ment against a background of problems with the domestic economy," says David Jessop.

The government is also looking for bilateral aid through the framework of the Caribbean Group for Co-operation on Economic Development, a grouping of donors including the UK. The CGCED meets in Paris in the third week of April, and Mr Manley wants them to indicate by March if funds will be avail-

But Eastern Europe will account for much of the West's aid budget this year. Jamaica already faces the loss of some of the \$25bn in US Economic Support Funds earmarked for 1990, and there are other regional priorities. Though Jamaica is politically closer to Washington than in the 1970s, Mexico will always have geographical proximity on its side. Mr Manley says that he believes "if we can get through the next six months, we could get into a very significant phase of economic expansion". He points to the rise in tourism; there are expected to be more visitors than in the record year of 1987. The bauxite industry, after a long, lean period, has recovered its strength, and even agriculture now looks likely to overcome the affects of 1988's Hurricane

One weak spot is Jamaica's

relatively well-developed light industrial sector, which has had a very rough decade, suf-fering from the impact of high interest rates, increased foreign competition and contract-

It participated in the recov-ery of 1985-8, with the garment industry leading the way. But Hurricane Gilbert hit it hard and this year's austerity is likely to crush the life from all but the most export-oriented

SPOTOTS. Like the hurricanes, many of the key determinants of Jamaica's success or failure originate beyond its shores. The economy has two main weak points, says Mr G Arthur Brown, Governor of the Central Bank: rises in international interest rates, which increase debt service payments; and oil prices that raise imports and reduce the bauxite industry's competitiveness. These could stifle any recov-

If Mr Manley's six-month time scale for economic recovery is not met, the political cost of the programme may start to outweigh its economic benefits. The reward for economic orthodoxy for Mr Sea ga's government was electoral defeat, and Mr Manley must wonder whether he can expect any more. The government's first test comes in local governCONTENTS

☐ Economy; Politics Agriculture: Coffee ☐ Industry: Bauxite

□ Tourism: Profile: Michael Manley

ment elections due by the mid-

dle of the year. There is even speculation that Mr Manley will step down before the next election, but then as he says, "I have attracted rumour all my life, like meteors attract tails." P J Patterson, Deputy Prime Minister, is seen as heir apparent. Handling the changeover from one generation to the next is a challenge that many Caribbean countries have attempted in the last few years. In Jamaica's case, it will be complicated by the PNP's own movement to the right, and the hole left by the departure of a figure with such a national, regional and international presence. The distortions enforced on domestic politics by prolonged structural adjustment may also lead to realignment in the parties.

But though in the 1970s political turmoil was Jamaica's distinguishing mark in the headlines, what is perhaps most surprising is how robust the political system has been in the face of adversity. Per capita GDP fell by 20 per cent between 1970 and 1980 in real terms according to the InterA terms, according to the InterA-merican Development Bank, and is still below 1980 levels. Investment fell by 60 per cent between 1970 and 1980 in real terms, and has since recovered slightly to about half its 1970 level. The region has not withstood these pressures uniformly: Jamaicans have only to look south to Grenada, or east to Haiti, to see the chaos that can result.

In the face of so many open questions about the future, there is one enduring certainty that has not changed since Mr Manley was first Prime Minister in 1972. The West Indies will continue to beat England at cricket. The forthcoming test series begins in Jamaica later this month, and the home side will win by three games to nil, Mr Manley believes. "They have new fast bowlers -Bishop will be a tremendous force, and Patterson is learning his length and pace — and they have a lot of depth. Where they are lacking is in batting. Viv (Richards) is not the force he was. On the great hope of the future, Hooper, the jury is out. If he comes good, England is in deep trouble." Mr Manley also looks ahead keenly to another confrontation, the West Indies vs Australia: "That West Indies vs Australia: "That will be an epic struggle," he says, grinning broadly.



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The economy has been unable to catch its breath, says Canute James

IN ONE painful respect, Jamaicans are among the unenviable leaders in the Americas. The island's foreign debt per capita, at US\$1,875, is larger than that of the better known large debtors such as Brazil with \$860, Mexico's

\$1,245 and \$1,665 in Brazil. With a debt service ratio of 46 per cent, the economy bas been unable to catch its breath. It has been overtaken by ever widening trade deficits, its reserves have been wiped out, it has a billowing parallel economy which has grown as regulation has increased, and a black economy which deprives

"Debt servicing is the major problem for the economy," says Mr G Arthur Brown, governor of the central bank. "We are working with our hands behind us — we are running on a half cylinder."

After meeting its debt obligations, Jamaica has very little foreign exchange left. It is this need for foreign exchange which is bedevilling and crip-pling the economy. Current In the first nine months of last year the economy recorded a merchandise deficit of \$622m on a trade volume of \$2.04hm. The deficit was \$197m more than that of the corresponding period of 1988. The current account deficit for the nine months was \$141.7m.

At the end of last month the government announced the terms of a 15-month standby credit agreement with the international Monetary Fund. In exchange for access to SDR82m, the Jamaican dollar was devalued by 7 per cent to J\$7 to the US dollar, and the government said it was continuing a programme of demand management through credit ceilings and high interest rates as part of an effort to cut consumption of imports.
Such policies have been common fare to Jamaicans for the

better part of the past decade. Inevitably there are increasing

Preferential treatment

Jamaica gains preferential access to the markets of most developed countries through a variety of schemes: Caribbean Basin

initiative allows duty-free ocean from most countries in the region. Among other sectors, it excludes textiles and apparel and tootwear. The cost of the materials produced in one or more peneficiary countries plus the direct cost of processi be not less than 35 per cent of the value of the product. Materials of US or Puerto Rican origin may be inc in the calculation of local

☐ The Lome II convention allows either zero or reduced duty on imports to the European Community of goods originating in certain African, Caribbean or Pacific countries, including Jamaka.

questions whether they can work. Arguments about an alternative to such economic strictures are frequent. "The only alternative is increased production," says Mr P J Patterson, the deputy prime minis-

Yet, many government officials, such as Mr Claude Clarks, former Industry Minister, agree that expensive money, when it can be had at all, is a disincentive to expansion for sectors such as manufacturing which are expected to lead in increased production and higher export earnings.

Business leaders such as Mr Anthony Barnes, president of

the Manufacturers' Associa-

a product is deemed to originate in the country concerned, and these are stricter for textiles and garments. A range of

oil-related, are excluded. There are specific proto-The Generalized System of Profeserous extends zero or reduced rates of duty to imports from a wide range of

developing countries,

including most GATT Combon permits duty free export of goods to Canada from Caribbean countries. Textiles, clothing, footwear, leather goods are excluded. There must be a minimum value added content of 60 per cent, with Canadian origin

tion, say the return on investment in manufacturing is less than that received from money placed on deposit. More attractive are higher returns in the distributive

trades. But increased activity

here means, perhaps, more imports, threatening to defeat efforts to dampen consump-

"High interest rates and a

THERE was a time, recent

enough to be still painful to

most Jamaicans, when the island's politics were tribal. The ideological turf was the preserve of sealous dogs of war, waging bloody crusades in the name of a party or a political sealous residual.

n personanty. This was behind the carnege

in the campaign for the 1980 general election, when an esti-

mated 600 people were killed in party political violence. The bloodshed was fired, in part, by

political extremes - on the one hand, the strident rhetoric and bombast of the socialist

Jamaica Labour Party led by

event, it worked - if 18 deaths

on the productive sector. ccording to Mr Bruce Golding, the shadow finance minister. Production will get us out of

The answer, says Mr Lindsay, is to move in the opposite direction. "In the 1980s the Seaga administration promised to deregulate the economy, but all we had was the deregulation of imports," he argues. "What is needed is deregulation of imports, as well as exchange controls, prices, wages, and interest rates. We can't have half an economy. Deregulation demands a total

Reacting to these sugges tions, Mr Brown says removal of exchange controls would d to imme and pressure on the parity of the Jamaican dollar. It is not now a feasible option, he con-

Omar Davies, director-general of the Planning Institute of

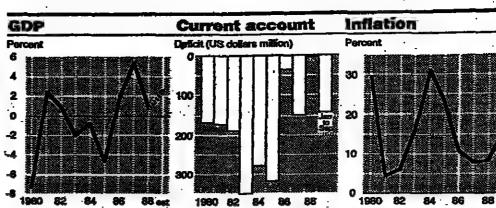
this hole, but not at interest rates of 40 per cent."

Mr Delroy Lindsay, executive director of the Private Sector Organisation of Jamaica, says the policies of the government and the IMF are inconsistent. "How can you increase interests and impose credit ceilings while encouraging investments? It is a recipe for destroying the productive sec-

> remove exchange controls," he says. That cannot be done when we have arrears of US\$200m. The government needs \$1.2bm per year. If it has no control over the exchange rate it cannot plan a fiscal budget. The issue of exchange con-trols is not an ideological position. It is just plain arithmetic." The political implications of

sures are clearly not lost on Mr Golding who believes a change, albeit pro-I am not certain that it is in the interest of the country to maintain tight foreign exchange controls," he says. "I do not think one should do this It is a position shared by Mr overnight, but the government

should not be the dispenser of Jamaica. "We cannot afford to foreign exchange."



Yet the country's preoccupation with its immediate prob-lems, and the arguments over economic programmes, has masked more positive develop-ments in what Mr Brown terms the "real" economy. The Planning Institute has

forecast GDP growth of about 2.5 per cent for the fiscal year which ends next month, against growth of 0.5 per cent the previous year. The m pillars of the economy are far-Production of bauxite, of

which Jamaica is the world's third largest source, has been growing since the end of a stump in the mid 1980s. High demand for aluminium and a global shortage of refining capacity has encouraged the reopening of mothballed plants

on. All the other politicians

Bedevilled and crippled by foreign debts the present harvest. If this is achieved it would

be 40,000 tormes higher than last year. The prospects are good, say officials in the industry, as production is far ahead of the corresponding period last year While there will be growth

year to 28,000 tennes, but

exports last year were 42,600 tonnes and the projection for

this year is 70,000 tonnes. The

sugar industry has set a target of 230,000 tonnes of raws for

this year in hauxite, tourism and traditional agriculture," says Mr Davies, "manufacturing is hurting and will continue to hurt for as long as the high interest rates and credit restrictions are maintained. These measures will also have a negative impact on construc-

There is an answer to the immediate economic proble argues Mr Golding. He suggests, however, that there is a cost which politicians may be unwilling to pay.

The economic problems are the result of a combination of structural problems and of the policies which are being pur-sued," he says.

Any meaningful adjustment programme means short-term dislocation and hardship. But such programmes are politi-cally suicidal. The Seaga gov-ernment paid a high price and

lost support for its efforts.

Mr Manley is optimistic that, unlike Mr Seaga before him, he will not have to pay a political price for the economic programmes. Says the prime minister: "If we can get through the next six months - and I think we can - we will then get into a phase of significant economic expansion.

POLITICS

Apparent consensus



There is now a need for national consensus on economic strategy. I am not talking about a coalition, but we need a new political culture that will discourage politicians from posturing to voters in a way that is not sustainable."

said by his detractors and sup-porters alike to have been converted from the firebrand of

"The change has been born of experience," explained the prime minister. "All over the Third World people have had to learn. The experience of political independence, when one was full of optimism, is followed not by a change of ideals, but by a period of learn. ideals, but by a period of learning what can be accomplished and what cannot be."

18th. Century

of Jamaica, which is in the pro-cess of conversion from doctrinaire Marxism-Leninism to more flexible policies, has con-cluded that the narrowing of the ideological spectrum by the two major parties, and their failure to solve the island's economic problems, is reducing their appeal to voters.
"In the 1970s about 70 per

cent of the electorate voted on the basis of sifiliation to a party," he said. "This is now just over 40 per cent." The danger of this, argued Professor Stone, is increasing aparty and cynicism. "With the last election and a new government." tion and a new government, people were hoping for a change, he explained. There has been no change, and the ranks of the independent vot-ers have increased significantly and the intensity of biind loyalty has declined. Peo-ple are now very careful about the political choices they have

Where will these voters turn? "To the left," argued Mr Munros, "A political vacuum has developed and is growing. The two major parties have run out of steam. I see dissatis-fied elements of the PNP and the JIP, with elements of the left, finding common ground with us on a set of principles."

Professor Stone has concluded that the left can execcise an influence on economic thinking by exercising pressure which can lead to a re-ex-

Recent reports about the impending resignation of Mr Manley — denied by the prime minister — have raised questions about possible succe to the prime minister, and also to Mr Seaga. Such changes are within the business commu-

amination of some pro-grammes "... as there is a need to examine the cost bene-

fit of the current economic pol-

nity.
"Mr Seaga now has a vision
of what he wants to do," said

some economic calm" before the next general election, due

ring institute of Jameica & Bank of Jameica

Ore output last year of 9.4m

tonnes was 2m tonnes more

than 1988, while alumina pro-

duction grew from 1.6m tonnes to 2.14m tonnes last year.

this year to reach over 11m tonnes, with gross earnings of

\$625m. About a half of this is

retained by the economy.

After a slight drop in tourist

temporary closure of hotels

damaged by a storm that year, the tourism sector expanded

again last year. Volumes of

both stay-over and cruise ship

visitors have increased during

The two main agricultural

exports are also doing better. The 1988 storm forced a reduc-

tion in banana exports that

errivals in 1988, cau

Ore production is expected

Mr Sesga, he said, will not leave so early. "He is fasci-nated by the opportunity of another chance to run things," said Professor Stome. "His will

not walk away.

Mr Manley refuses to be drawn on the question whether he will contest the next elec-Mr Delroy Lindsay, executive director of the Private Sector Organisation of Jamaica. "Mr Manley now has a vision that politics alone caunot do it. But tion. "Anyone who can look that far ahead is either a prophet or a fool." only these two have any But some who done to look

are locked into a 1940 scanario. Both parties have a problem of that for are successing that Mr Seaga could be back in 1994. Among them; and not surpris-ingly, is Mr Golding. "It is now impossible to gov-

con Jameica for more than one

term and do what needs to be done," Mr Golding said. Professor Stone has acquired a reputation for accurately reading the mood of the elec-torate over the past 15 years. His forecast is hardly likely to

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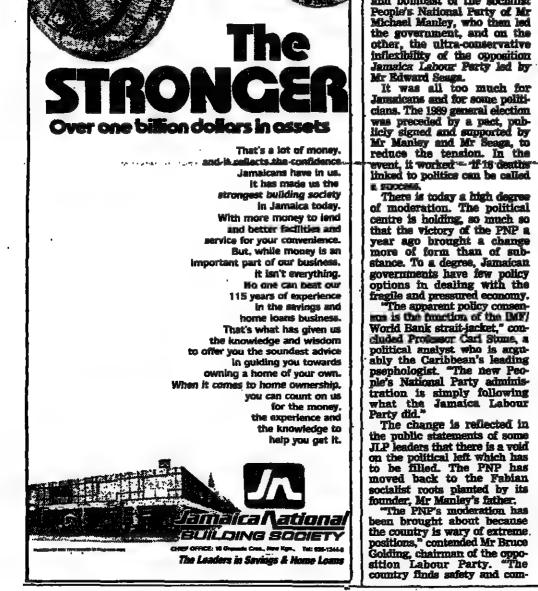
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bring any comfort to the PNP. The PNP could be in trouble in the next general election." The popularity of the PNP and the JLP could be tested later this year in municipal elections. Given the state of the economy and the measures being implemented by the gov-ernment, these elections are likely to be treated by the parties as being of more than pass-



fort in being in the middle.

But Professor Stone has argued that the reduction of the ideological divide is unlikely to produce common ground despite the economic imperatives. "I do not expect them to set a with any them to get very far with any form of consensus," he said.

Central to the changes in political directions is Mr Manley himself. Much has been made of the "new Manley",

Mr Trevor Munroe, general

Professor Stone has con-cluded that Mr Manley will leave office "as soon as there is 10 1 60 1 20 1 INTERNATIONAL WORKS WORLDWIDE

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Giving CREDIT to Self-Sufficiency

JAMAICA 3

IN THE wake of the devastating hurricans of Sep-tember 1988, Jamaica's agriculture has been struggling to regain its footing. There are signs that the sector will overcome the effects of the storm by the end of this year, but the economy has suffered through lost earnings from exports and higher consumer prices on the domestic market.

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expansion."

The storm cut US\$29m of the island's export earnings for the last fiscal year, and caused a 20 per cent decline in production for the domestic market in the first nine months of last year.

"The sugar industry was the least affected of the major crops," reported Mr Frank Downie, executive chairman of the Sugar Industry Authority. "Plants were battered and fields were flooded, and this reduced the amount of canes sent to the mills as well as the

From peak production of just over 500,000 tonnes 25 years ago, Jamaica's sugar output has declined steadily. Last year's production of 190,000, although affected by the storm, was 2,000 tonnes more than 1987 and 11,000 tonnes less

The industry is fighting reduced productivity and con-tracting markets for an uncom-petitive product. Twenty-five years ago the harvest yielded almost 3.5 tonnes of sugar from

coffee in Jamaica. But the little

that there is, particularly from

a 15,000-acre area in the Blue Mountains, is regarded as being the best in the world.

The prized beans are sold for about four times the going rate for other coffees. The price has

been a factor not of the small

quantities which are produced,

say those in charge of the industry, but rather of the quality of the product.
Studies done by the agencies responsible for the Jamaican

coffee industry indicate that a

tenfold expansion in produc-tion of Bine Mountain coffee would not bring prices down.

The island's coffee farms, as with other agriculture, were extensively damaged by a hur-

ricane in late 1988. Production

fell last year, but there are now. indications of a recovery.

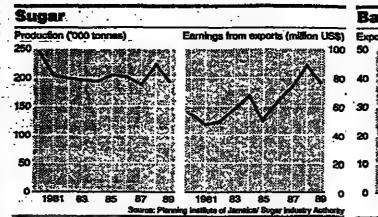
What makes Blue Mountaincoffes unique? It is the Blue

THERE is not an awful lot of producers. It is, they explain,

AGRICULTURE

Bananas take a battering

Bananas



A mountain full of prized beans

each acre. Yield last year was

"One objective is to increase productivity, and we would like to get at least three tonnes of sugar per acre of canes," said Mr Downie. Such increases in productivity may be helped by changes which include mechanisation of some aspects of production. The use of a few harvesters has already drawn more than slight expres-sions of concern from trade unions. The sugar industry, in

essentially a question of loca-tion. The coffee is grown in

that area of the Blue Mountain

range where a contingency of factors such as rainfall, soil

types, temperature, and cloud cover influence the characteris-

Efforts to expand production have seen many Blue Moun-tain coffee farmers seeking for-eign investors, including some

This does not mean there is

no merit in other Jamaican cof-

fees. Blue Mountain's poorer

coustn, Prime Jamaican, which

is grown in other parts of the island, is also not to be taken

lightly. It commands prices higher than those paid for

most other coffees.

An increase in output of the Blue Mountain beaus would

allow Jamsics to diversity the market. Japanese importers now take 35 per cent of the product, with the rest going to

tics of the beans.

vides direct employment for 41,000 people.

industry's target is 260,000 tonnes a year to meet its guaranteed markets 126,000 tonnes to the EC, 116,000 tonnes for domestic consumption and 15,000 tonnes for the US market. It is these preferential and controlled markets which keep the industry alive. Without them it would collapse. Production costs in Jamaica

In the 1960s the island's

main market for Blue Moun-

tain coffee was the UK. The

Japanese were the higgest mar-

ket for Blue Mountain coffee

re-exported from Britain. They

have averaged 19 US cents a pound and have been higher than world market prices in the past few years. The EC pays 23 US cents a pound and the US pays 21.7 cents. "I do not think we will ever achieve the production costs of countries like Australia and Brazil, but this industry is important to the economy," argued Mr Downie. "Sugar earns the country between US\$70m and

US\$30m per year, and is the third largest foreign currency

then began direct shipments to

Japan. Such is the peculiarity of

Blue Mountain coffee, that attempts by some countries to

duplicate it have failed.

The trebuser of the same

1981 83 85 87 89

earner after bauxite and tour-

87

The banana industry is also aware of the value of preferen-tial markets. Jamaica's fruit, shipped to Britain where it has a protected market, has been threatened by the widespread deregulation which will follow the creation of a single European market after 1992.

"There has been concern about the future of the mar-

1981 83 85

ket," said Mr Marshall Hall, chairman of the Banana Export Company. "But we have had assurances from Prime Minister Thatcher and other British government ministers that, along with the Windward Islands and Belize, Jamaica will still be allowed preferential entry for fruit after 1992."

Ironically, although very vulnerable to natural disasters such as hurricanes, bananas recover quickly. The 1988 storm forced a reduction in shipments that year to 28,000 tonnes, but exports last year were 42,600 tonnes and the projection for this year is 70,000

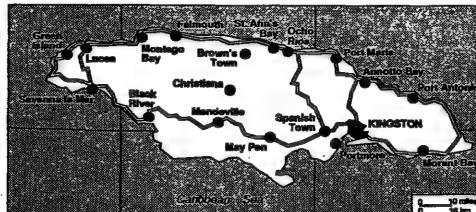
banana exports averaged 150,000 tonnes annually, reaching just over 200,000 tonnes in 1966. In the 1970s the average fell to 70,000 tonnes a year, and

with investments of J\$290m. age for growers was increased

a year. It requires at least 130,000 tonnes a year to achieve efficiency in shipping, according to Mr Hall. The industry employs about 60,000 people, and from the 42,000 tonnes exported last year Jamaica's net earnings were

rus in the nine-month period fell by almost a half to 4,814

tion also declined in the nine months by one-fifth. The Plan-ning Institute of Jamaica, in its latest report, said this fall led to farmgate price increases of between 3.1 per cent and 81.4 per cent for selected commodi-ties.



tonnes. In the 1960s Jamaica's

to 30,000 tonnes a year in the 1980a The decline in the 1970s was caused by a combination of low prices to farmers and the quality of the fruit offered on the British market. After a storm in 1980, the industry was restructured. Three large, mod-ern farms were established Mr Hall said. Insurance coverand the Banana Export Company was established to handle the marketing of the fruit. Prices paid to farmers were increased from 44 Jamaican cents a pound of fruit in 1984 to J\$1.04 a pound last year.
The industry has set an export target of 150,000 tonnes

US\$20m. The forecast for earnings this year is US\$30m. Other exports have been depressed by the effects of the 1988 storm. Coffee exports in the the first nine months of last year were 536 tonnes, 39 per cent less than the corresponding period of 1988, while cocoa exports fell 26.2 per cent to 1,045 tonnes. Exports of cit-

Domestic food crop produc-

Canute Jemes

KEY FACTS **REOGRAPHY** Lend area: 550 miles south of Mlami. DEMOGRAPHICS Population: Urben/rurak Growth rate:0.01% per annum Population density:557/sq mile EMPLOYMENT Labour force (1985): .. Unemployment (1968): .. GROSS DOMESTIC PRODUCT GDP (1988): ... J\$17.5bn GDP per capita (1986) GDP growth (1986) 0.6% 1989† 2.5% 2.5% TRACE AND EXTERNAL ACCOUNTS 1988 \$823.6m Exports: Jan-Sep 1989 . \$711.7m Exports: regional distribution 1988 .45.5% .12.5% Exports: Product Distribution 1988 Alumina \$307.2m \$104.9m Bauxite \$88.6m .\$15.4m Bananas .. \$1222.6m Imports (1988) \$1070.8m Jan-Sen 1989 .. 1,333.7m Imports: Regional Distribution 1988 ..6.8% Current account balance (1988)\$180m Jan-Sep 1988 \$134.8m Jan-Sep 1989 COURSE Arrivals (stopovers) 1988 .. .1.02m Revenue 1988 . Jan-Aug 1989 Stopovers by country 1988 417.2m .US 461,000; Canada 93,000; UK 44,000; Europe excluding UK 26,000 .1987/8 J\$4.14bn 1968/9 Revenue: 1967/8 J\$5.4bn; 1988/9 J\$6.2bn Current belence: 1987/8 J\$1.3bn; 1988/9 J\$92/m Capital expenditure: 1987/8 J\$1.2bn; 1988/9 J\$1.7bn

Overall belance: 1987/8 J\$143.9m; 1988/9 J\$712.7m Public Debt:\$4.5bn of which bileteral 48%, multilateral 39%, commercial banks 10% (Trinidad 1988 \$1.8bn; Barbados 1987 \$621m) Debt service ratio:

Projected; † Estimated. Except where stated, dollars are US dollars and figures are for calendar years.

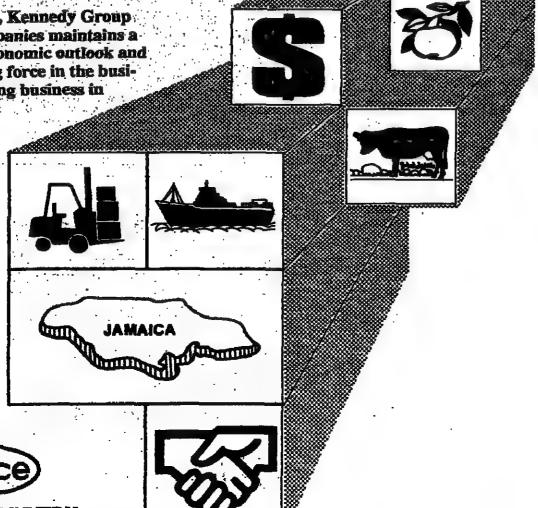
Sources: EIU, Central Bank, Grace Kennedy, Planning Institute of Jamaica, Central Bank.

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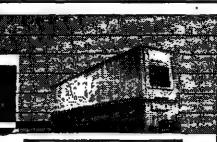
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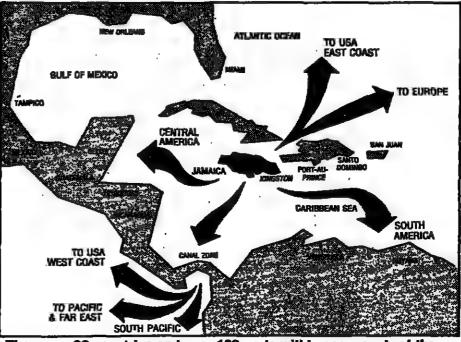
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Head Office: Scotia Bank Centre, Corner, Duke and Port Royal Streets, Kingston, Jamaica, West Indies. Telephone: 932-3440. Telex: 2290. Cables: Grakenco.

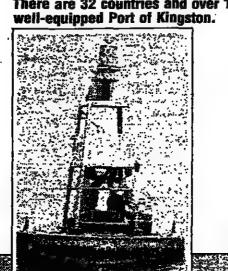
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More adjustment than structure

Other categories of manufac-

turing, mainly intermediate goods such as cement, steel,

chemicals and mineral oils,

accounted for about another

\$22bn of exports in 1988, princi-

pally to Caricom. There was also some export of machinery

The brightest sub-sector for

most of the 1980s has been the

garment industry, but it is also

the sector where the effects of

10 years of adjustment is most

apparent. Export earnings from garments have gone from \$13m in 1983 to \$220m in 1988,

Peter King of Jampro, Jamai-

ca's economic development

agency, points out, employing 29,000 at its peak, though it is

below that now. Products

range from brassières and

underpants through sports-

wear to women's evening wear.

The growth in exports has been mainly to the US, which accounted for \$206m of exports

in 1988, under the aegis of a 1986 bilateral quota. There has

Proximity to the Port of

Kingston, one of the Carib-

bean's best deep water ports. But aside from the freedom

from restrictions which inhibit

FREE ZONES

A model for development

and equipment to the region.

INDUSTRY is the paradoxical name of a small, sleepy village on Jamaica's sultry north coast, sheltering under the

tains. Not much happens there.
That is likely to be reflected
in the levels of activity within Jamaica's manufacturing sector over the next year, as high interest rates and the painful implementation of a tough IMF agreement take their toll.

Anthony Barnes, of the Jamaican Manufacturers' Association, says that growth was minimal last year, at most 1-2 per cent, after no change in 1988. He expects little if any expansion this year, with the possibility of some contraction.

Manufacturing accounts for about 16 per cent of GDP, and employs about 131,000 people from a total employed workforce of 871,000. Non-traditional manufactured exports account for roughly 25 per cent of all exports – about \$245m in 1988, and \$113.5m in the first six \$122.7m in 1988. Exports from the sector have been flat or declining for most of the past

10 years.
Industry's weakness has been a key part of Jamaica's central problem – the country's inability to match its consumption with production. But the programme of structural adjustment which Jamaica has embarked upon since the early 1980s is, in the short term at least, inhibiting the sector's development. So far, Jamaican industry has seen more adjust-

ment than structure. In the 1970s, Michael Manley's government focused on import-substitution as the remedy for its economic ills. But the government of Mr Edward

FREE Zones, economic wildlife reserves where market forces can roam in their natural habitat, have become increasingly popular instruments of Third World development. Jamaica has four such zones, one at Kingston harbour, a second in Kingston called Garmex, one at Montego Bay, and one targeted at the rural population in Clar-

The zones are at present responsible to different bodies, but it is planned to incorporate them all under the Ports Authority, which manages the



Garment industry has grown into an export-oriented business

Seaga reversed this, and since 1980 the goal has been to shift the economy to an export-driven path through import liberalisation and devaluation. Mr Manley's government is continning down this route. But combined with persistently high interest rates and reductions in demand, the result has been a paring down of the

Manufacturers say the other side of the adjustment policy - measures to provide incentives, reduce bureaucracy, and smooth the exporters' path -was never implemented. Many also complain of the shortage of foreign exchange.

Food, beverages and tobacco together make up about 70 per cent of industrial output, but most production is for domestic' consumption. Exports accounted for \$19.3m in the first half of last year, though the value added and bence the net worth of these exports in dollar terms is high.

Kingston harbour and Montego

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tance, offer a range of incen-

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exports to Europe, but this has been a difficult market to crack, says Paulette Rhoden of Crimson Dawn, a Kingston-based firm. Total exports to the EC in 1988 were about \$12m.

Manufacturers exploiting the 807A provision of US trade law have made the biggest impact. This scheme enables compa-nies to import fabric which has been produced and cut in the US, stitch it and re-export the garment to the US, with duty paid only on labour and northbound freight charges. Quotas for 807 are virtually unlimited,

says Mr King.
The growth of 807 manufac-turing has been a significant boost to employment, and to gross exports. But it has very low Jamaican content: of total export earnings of \$120m from 807a, Mr King estimates only \$25m represents value-added in

Nor is the garment sector as tightly connected into the domestic economy as it used to he. From its beginnings as a cottage industry in the early 1950s, dominated by small firms run by a few redoubtable Jamaican women, the garment trade has grown into a more outward looking, export-ori-ented business. But this has been at the cost of the loss of many domestic manufacturers. The opening of the Jamaican market to imports in 1986, high interest rates and rising costs of imported inputs all took their toll. Then came Hurricane Gilbert, which for many was the last straw. "Some have partly closed, others just handed the keys to the bank

manager," says Mrs Rhoden. At the same time, however, foreign companies were invest-

labour. The minimum wage rate for a textile worker is

J\$140 for a 40-hour week. Last

year, with a US dollar rate of 5.50 to the Jamaican dollar,

this was equivalent to \$25.50. After two devaluations in less

ing, exploiting the island's low labour costs and attracted by easy access through preferen-

tial arrangements to the US.

The sector is now dominated by several large international mpanies, many operating out of the Free Zone in Kingston. Mrs Rhoden, who is also vice-chairman of the JMA and for-mer head of its textiles subdivision, says that there are about 250 companies. Of these, only about 40 are exporters, she estimates - down from about 80 in 1986 - and less than half small size of many domestic firms, the concentration is even greater: Mr King estimates that 80 per cent of the sub-sector's exports are from 20 firms, of which only three are Jamaican. Jamaican firms account for about a third of exports, with US and East Asian companies taking a third

each, he says. es based in the Free Zone are tax exempt, so little revenue accrues to the government from their activity, and profits can be freely repatriated. Claude Clark, former Minister of Industry, estimates that the 807 sector actually retains in Jamaica only about 10 per cent of the foreign exchange it grosses. Of the \$25m in value added, perhaps \$12m stays in the country,

mainly in the form of wages. He notes the paradox which this has generated: though the sector's external record shows significant growth, given the fail-out in the domestic industry, there has been an overall

contraction since 1983. Overseas-owned companies, which have easier access to capital, fewer problems obtain-ing foreign exchange and less

than six months, it is now \$20. As a result, Mr Peter King of

Jampro, Jamaica's economic

development agency, expects

rapid growth.
The labour force is relatively

stable. "Initially, in 1984, there

was tremendous turnover, but

since 1987, there has been a very low level of turnover, says

Mr Hewitt Ninety-live per cent

f employees are women. The Kingston and Montego

lished as non-competitive operations, the former targeted

at manufacturing in particular garments, and the latter at the

garments, and the latter at the information sector, including data entry and telemarketing. Montego Bay has a digiport, a facility offering easy international telecommunications.

access and Kingston is shortly

to be linked into this via a

fibre-optic line.

The Kingston Zone, initially focused on warehousing, quickly became dominated by the garments sector, says Errol. Hewiti, the general manager. This became very apparent when the sector suffered a contraction in its export market in

when the sector suhered a con-traction in its export market in 1987, sparking a fall in employ-ment from 11,000 to 6,000. This was followed by Hurricane Gil-bert and by negative publicity about working conditions.

arout working commutons.

Mr Hewitt says that he has set out to reverse the cumulative effect of these factors by upgrading the plants, creating a better working environment, and improving communication

between the manufacturers

between the manufacturers and the local community. He is also starting a new marketing campaign for the zone, emphasising its proximity to the US market and its ease of access. Employment has risen to 7,700, with 16 companies of

linkage into the local economy will be in a better position to exploit the upside of last month's devaluation - its improvement in the country's overall competitiveness. In particular, those in the Free Zones "should get the immediate ben-efit of the devaluation," says

Mr King. Omar Davies of the Planning Institute of Jamaica says those exporters with a high domestic value added content should also benefit, and thus he expects the agro-processing sector to be one of the brighter

Overall, the picture is unhealthy. The government is only too aware of the apparent contradiction between seeking to redress its balance of payments problems while squeez ing the domestic productive sector. "While we recognise the need to create the conditions to need to create the conditions to facilitate greater investment and create growth in areas of priority, conditionalities imposed by the IMF and World Bank do not allow a discrimi-natory approach," Mr Clark says. This rules out differential interest rates for the producinterest rates for the productive and non-productive sec-

Though there have been attempts to introduce fiscal incentives for manufacturers, these are hampered by the need to cut back the budget

Mr Clark is hoping that over seas investment will help to fill the gap left by domestic indus-try's shortage of capital. Mr King stresses the virtues of Jamaica's geographical posi-tion, its preferential market access under a number of schemes, and the value of the Free Zones to investors.

Though such investment is frequently at the low val-ne-added end of the scale, with Jamaica's small size, lack of key industrial inputs and distance from the main markets, "capital intensive industry on a large scale is not on," says

which one — East Ocean Tex-tiles, a Hong Kong-owned firm — employs more than half the total. At its full capacity, the sone could hold 16,000 employees. Most of the employers are from the US and Far East. though there is one company

- Medimper, a producer of pharmaceuticals - from Hun-

pharmaceuticals — from Hungary. Only one is a joint venture with a Jamaican producer.

About 90 per cent of production is related to textiles or garments, a dangerous reliance which the authorities are trying to decrease. We still get requests from the apparel industry, which in our situation we can't turn down," says tion we can't turn down," says Mr Hewitt. But he is also tar-gening nood proce still, ethanol manufacture, and electronic

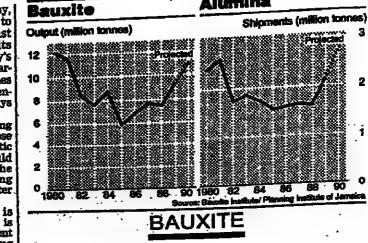
manufacture, and electronic assembly.

The benefits for Jamaica from the free zones come mainly from employment, and hopefully, in time, from technology transfer. The foreign exchange generated is expected to be \$38-40m this year, up from \$30m last year.

Delroy Lindsay, of the Private Sector Organisation of Jamaica, sees the zones as a

Jamaica, sees the zones as a model for Jamaica's development shorn of red tape, free of exchange controls, the economy could expand rapidly, he believes "The synamical sector." believes. "The apparel sector (in the Zone) has grown tre-mendously, because of its free-dom from restriction," he

But Mr Claude Clark, former Minister of Industry, notes that the zones have limitations. The level of dollar retention is low, level of dollar retention is low, and there is little spin-off for the local economy beyond jobs — though he hopes the technology transfer will come. Equally, the amount of Jamaican involvement is very small, even at the level of local sourcing of components. "One of the hasic focuses is to increase the level of sub-contracting, assistlevel of sub-contracting, assist-ing in the production process," says Mr Hewitt.



Metals market improves

WHEN the bottom fell out of Jamaica's bauxite industry in the mid-1980s the economy reeled. Production in 1985 was a little more than 50 per cent of the level of five years earlier, and a soft metals market offered no respite. However, the situation is

now improving Firmer metal prices, indicated by the performance of aluminium on the London Metals Exchange, combined with a more libe regime for miners and refiners and a shortage of refining capacity have worked in Jamaica's favour.

"There was a dignificant improvement in production last year," reported Mr Carlion Davis, executive chairman of the Jamaica Banxite Institute. Bauxite production was 9.4m tonnes against 7.4m tonnes in 1988. Alumina shipments were 2.14m tonnes against 1.6m tonnes in 1988."

The prospects for further expansion are good. Jamaica is the world's third largest bauxite producer after Australia and Guinea (Conskry). With 7 per cent of the world's known reserves, the island has enough to last 2,000 years at present

mining levels.

Greenfield and brownfield projects, which will see the most significant investments in the sector in the past two decades, will further lift mine yield and aluming shipments. Ever wary of the boom-and-bust cycle of the industry. refining companies appear to consider it a fair risk to try to make the best of the current good times. Central to the present dispo-

sition of the companies has been a change in the tax regu-lations. In 1804 the government, claiming it was not getting a fair share of the proceeds from the industry, proceeds from the industry, failed to set the companies to agree on higher taxes. It unlisterally imposed a production levy on the companies, pegging their payments to the aluminium prices in the main markets.

while the island's earnings from the industry increased sevenfold, the miners and refiners complained that the levy was an unfair burden, and that it made Jameica's beautite and alumina uncompetitive. and alumina uncompetitive.
Little surprise, therefore, that
when a soft market overtook
the industry, Jamsica suffered
heavily as workfwide refining
capacity was reduced.

The recovery in the market
coincided with a change in the

tax regulations, with the production levy being cut by one half, but with the companies paying income taxes on their operations in the island. The industry also regained a competitive edge when a fall in oil prices increased the cost efficiency of oil-fired refrieries.

A plant carried life the Alice

A plant owned by the Alu-minium Company of America, which had been closed, was reopened and run by a govern-ment agency, and then turned over to the company. The island's largest refiners, Alu-

mina Partners, now owned by Kaiser and Hydro Aluminium, was reopened last year. The changes in the tax regime, and the conclusion of a protracted legal row between Alcan and the government over access to alumina from the company's two plants on the island, led to an effort to increase produc-tion. Kaiser's mining subsidiary will this year ship larger amounts of raw ore.

We expect crude bauxite output this year to reach just over 11m tonnes," said Mr Davis, "with alumina shipments of 2.7m tonnes. Gross earnings by the industry in 1969 were US\$540m. This year we expect this to reach \$625m. About 50 per cent of the gross earnings are retained by the

The new investments expected by the sector include US\$50m this year by Alcan in refitting plants and changing the method of disposing of the residue from the refineries. Alumina Partners, which is expecting this year to lift output to im tonnes, is considering an expansion of rated capacity to 1.4m tonnes per year, and which is likely to cost between \$75m and \$100m. The refinery owned by Alcoa and the government is to have its rated capacity increased from the current 750,000 tonnes per year to 1m tonnes per year at a cost of about \$50m. If all these projects are realised, he explained, Jamaica's refining capacity will be increased by about 1.65m

tonnes per year, with the additional exports valued at about \$350m at today's prices. The Jamaican government is also attempting to get involved in smelting, and has restarted discussions with Trinidad and Tobago on the feesibility of a that country, fired by its abundent natural gas and fed by Jamaican alumina. While the government is

clearly keen on finding new markets for banxite, it makes better sense to sell more ala-mina. Local processing of banxits incresses value added banxite increases value added fourfold. This explains, in part, fourfold. This explains, in part, the government's apparent volte-face in dealing with a supply contract agreed between the previous administration and Marc Rich, the commodity trader. After attacking the agreement in which the alumina was forward sold, the government said it found the arrangement to be it found the arrangement to be "in Jamaica's interest", and secured a \$45m prepayment from the company. The govern-ment has also forward sold alumina to Alcan

Clearly aware of the temps amental nature of the market, Mr Davis' appreciation of the healthy state of the industry is moderated by some caution. "These spectacular increases in metal prices will not last," he said. "But anything over US\$230 per tonne of alumina is good for most alumina produc-

December 1989

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The state of the s

Andrew Marshall investigates the tourist industry

Alluring island in the sun

ANY FOOL can attract tourists to Jamaica. After all, it has some of the Caribbean's best beaches, as well as the mysteri-ous depths of the Blue Moun-tains, a vibrant culture, good food and a traided blut and food and a varied history.

The trick is to get the right people to the right place at the right price. Fortunately, Jamaica's tourist industry is not run by fools, but by some very bright people who have succeeded in doing just that.

The country is becoming skilful at combining adroit marketing with carefully thought out development, and it is paying dividends. Tourism is the single largest source of gross foreign exchange. Last year, more im visitors arrived on the island, generating more than \$500m in revenues. The industry is projecting 15 per cent growth this year, taking it over the record level of 1987 when stopovers reached 740,000, and is hoping to raise income to \$550m.

The sector has attracted

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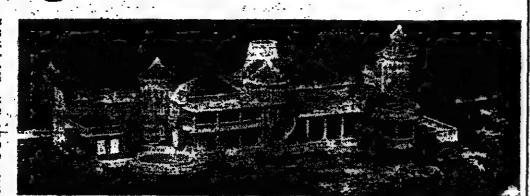
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The sector has attracted some of the island's brightest businessmen over the past 20 years, including Mr John issa of the Super Clubs Group, one of the island's largest tourist enterprises. Mr Issa pioneered all-inclusive resorts in Jamaica, which include Hedonism II at Negril, Couples, and Boscobel Beach.

For private investors, tour-ism remains a good bet. It has been growing at about 10 per cent a year, faces few restric-tions on its activities, amount well served by the key places well served by the key pieces of infrastructure it needs – airline flights. The Govern-ment has been involved in the sector, but is withdrawing and

selling off 11 state-owned hotels to the private sector. Jamaica can offer tourist accommodation from the top end of the market, including huge luxurious: villas and imposing balustraded hotels, to obean guest houses. Most tour-ists make straight for the sun, 'sea, sand, and sin of Montego Bay and Ocho Rios, the main north coast resort, or Negril, the former hippy resort on the island's west tin. But a grow-ing number are also finding the lesser known spots of the south coast. Port Antonio, in the rocky, forested Portland area, is one of the more relaxed resorts with all of its local charm intact — at the cost of little new infrastructure.



If tourism hadn't filled the gap left by the decline of baux-ite and the collapse in tradi-tional agricultural markets, Jamaica's economy would have been in a much worse situation than it was during the 1980s.
Tourism generated a steady flow of income, with less dependence on imports than the manufacturing sector, though there is considerable leakage of foreign exchange through payments of dollars outside the official system.

Jamaica's history as a tour-ist destination stretches back to the turn of the century. Traditionally, it was the wintering hole for the high spending, artistic and financial beau monde of Europe and North America. JP Morgan, the banker, brought his yacht here, Noel Coward owned a villa in Jamaica, and so did Ian Fleming, writer of the James Bond books, who took his hero's name from a local ornithological author.

There has been a slow shift in the Jamaican tourist mar-ket, away from the established top end of the market towards younger visitors, often with less income, and those with families. The growth of the charter market, from North charter market, from North
America, has brought an
increase in the summer off season, enabling hotels to maintain staff all year round,
The number of visitors
dropped, but less than expected, after Hurricane Gilbert in

1988. The total number of visitors was down only 1.7 per cent, and still more than im. Arrivals were up in the first half of last year by 1.7 per cent to 603,877, but the number of stopovers were down. Cruise ships made up the shortfall in

age tourist spending and revenue decreased by 8.5 per cent in the first half of the year to \$291m over the same period of 1988, and the occupancy rate fell to 58.8 per cent from 62.8 per cent from 62.8 per cent. This had been reversed by the year's end, and was attributable partly to the hurricane, but also to negative publicity resulting from the election.

A more disturbing trend for the future is the drop in North American visitors. Between American visitors. Between January and August 1989, arrivals from the US and Canada fell by 17 per cent, down to 86,204. This has been partly cancelled out by the arrival of visitors from Europe, especially the UK, who form an increasing – if small – percentage of total arrivals. The decline in US visitors in attridecline in US visitors is attributed to the weakening of the US economy, and to the prolif-eration of alternative resorts.

The industry's prospects are bright, as long as it can balance its growth against the existing market and the requirement of maintaining the island's natural attractions of the threat David Meson. tions. One threat, David Jessop of the West India Committee says, is that the spread of pack-age holidays and the lower end of the trade may conflict with the island's more exclusive market, which is smaller but more lucrative. It would not do for Noel Coward to confront

Torremolinos.

Second, though there is likely to be significant growth in the accommodation infrastructure, this must not damage the smaller resorts off the beaten track, which for many are the prime attraction. Negril, only 10 years ago, was relatively unknown; now it is the third destination after

Mobay and Ocho Rios. Many of the north coast towns are growing from fishing villages to resorts almost overnight. But at the same time, roads, rallways, airports and commu-nications all need increased

spending to maintain the present levels of spending.

Tourism, despite its reliance on local geography, is at least as sensitive to external developments as Jamaica's other sectors. The fall in the value of the dollar since 1985 is one fac-tor which has inhibited Americans from travelling, even though Jamaica has become relatively cheaper through relatively cheaper through devaluations. A collapse in the US economy would hit humry spending hard — though the top end of the market would probably be safer.

Local events also harm Jamaica's image. Some tourists complain of harassment by "guides" or local traders, some

guides" or local traders, some selling souvenirs, others prof-fering drugs. The violence of the 1970s reduced visitors; and political turbulence anywhere in the region has the potential to scare off tourists.

The free availability of drugs, especially the locally-made gania, is undoubtedly an added attraction to a Jamaican holiday for some visitors, and an irritant for the industry. The herb is a central part of the Rastafarian religion, but possession is illegal, and the island is making strenuous efforts to crack down on its cultivation and export. As the convacion and export. As the tourist board warns: "Ganja is illegal and arrests are made daily at Jamaican airports, with many European and American travellers going directly from elegant resorts to drastically inelegant Jamaican ialis."



PORT ANTONIO

Lively town of yesteryear

was. The north coast town is still a lively place, its market bustling on a Saturday after-noon with shoppers sorting noon with shoppers sorting through brightly-coloured fruit, gaudy T-shirts and snazzy straw hats. Young people hang out around the town square, waiting for the clubs to open. Tourists pick through the souvenirs in the shops, and a few Kingston residents roar through town in expensive through town in expensive cars, off to their weekend places to the east. The town is bosy, but its greatest days lie behind it.

At the turn of the century Port Antonio was the centre of the banana trade, and on the back of this it was the first place in Jamaica to build a livelihood out of tourism. manas went north, and south in the empty hoats came Euro-peans to warm their winterchilled bones. In the 1930s and 1940s, the fast set came down from Hollywood and New York to make it their Caribban lair. Errol Flynn bought Navy Island, a few minutes by boat off the coast. Locals still tall lurid stories about Flynn and his lady friends, and his name has become intertwined into virtually every local legend. His wife still lives here, farming cattle up in the hills.

original Spanish settlements on the island. The Spanish called its twin harbours Puerto Anton and Puerto San Francisco, and the town retains the name of the larger, eastern inlet. The Rio Grande to the west is another memento of those days. But both are now squarely placed in the parish of Portland, in the county of Surrey. The British also left an

of the houses, Inside, it is like stepping into the great British seaside holiday: pictures of the Royal Family on the bedroom walls, unreadably overwrought Victorian novels in the bookcase, goldfish by the telly and brass shell cases converted into unbrolls stepping. into umbrella stands. Further east, the accommo-dation is less intimate if more

century architecture of many of the houses. Inside, it is like

imposing and distinctly pricy.

At the turn of the century, Port Antonio was the centre of the banana trade and was the first place to build a livelihood out of tourism

Anglican church, and Fort Angilean church, and Fort-George on the tip of the penin-sula. Thank God they did not leave their food. Instead, the area is distinguished by jerk pork, a highly spiced meat best accompanied by the local har-dough breed.

Up on Titchfield hill on the peninsula, once the social cen-tre of the colonial town, are a ciutch of small family-owned cinten of small family-owned guest houses and hotels. The DeMontevin Lodge is the finest, and prettiest, of them all. Its gingerbread and fre-twork exterior is newly painted in a deep brick red and bright white, typical of the turn-of-the

The Jamaica Palace, a startling edifice with brilliant white columns and balustrades, marble floors and air conditioning fit to rechill European blood, stares across the bay at a yet more hizarre creation: a German schloss, covered in turrets and winding staircases, part of the Trident hotel.

Once, Port Anionio was con-nected to the rest of the world by see, road, rail, and sir, Few cruise ships call there any more, most preferring the fleshpots of Ocho Rios further to the west The road still to the west. The road still winds over the shoulder of the Blue Mountains and the brave

Kingston, but the railway is dormant. Flying in from Kings-ton to Ken Jones Airfield, its lines can still be seen, steel beneath the deep vegetation that covers the coastline. Plunging down from the mountains, the tiny TransJamaica plane overflies a decaying DC-3 and three grounded drug-smugglers' planes, almost covered by grass and creepers - a reminder that bananas are not Jamaica's only agricultural

Port Antonio still makes a decent living from bananas and tourism, though not on the scale of past days. The town, like the grounded aircraft and Boundbrook wharf where the bananas were loaded, is gently decaying. The Jamaica Railway Company hopes to repair the line to the town, bringing visitors up from Ocho Rios and taking more of the banana trade through the harbour. Michael King, marketing man-ager of the railway, describes an ambitious scheme to recon-struct the tourist infrastruc-ture and build a yecht marina to the town's seet. But all this to the town's east. But all this costs money, one of many com-modities which Jamaica has to

Andrew Marshall

PROFILE: MICHAEL MANLEY

A changed perspective



Michael Manley: a surprisingly uncomplicated view of his role as Prime Ministr

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R WATSON & SONS (WEST INDIES)
CONSULTING ACTUARIES JAMAICA'S Prime Minister Michael Manley has a surpris-ingly uncomplicated view of his role: "Politicians cannot run countries, they only set

This, in essence, illustrates what is now generally accepted as a changed perspective on Mr Manley's part. As prime minister of Jamaica between 1972 and 1980, Mr Manley spoke repeatedly of the need for the state to control the foremental the fore trol the "commanding heights

Today, he speaks of the pri-vate sector as the engine of growth. His administration is continuing a programme which has seen the divestment of state enterprises.

"We all learn new things and we all change because we want to and because circumstances with which we deal have changed," he said a year ago when his social democrat People's National Party won a general election. "Are you the same person you were 18 years

The change, he explains, has been brought about by experience in and out of government. "All over the Third World people have had to learn. The experience of political independence, when one was full of optimism, is followed not by a change of ideals, but by a period of learning what can be accomplished and what cannot

In the 1970s, his govern-

ment's policies and close ties with neighbouring Cuba frightened local business and infurlated Washington. He communist. Today, as vice-president of Socialist international, the federation of social democrat parties, Mr Manley's philosophy is more akin to that of Mr Neil Kh-nock, the British Labour Party leader.

Mr Municy, 65, a graduate of London University, entered politics after working as a journalist and then as a trade unionist. He now leads a party founded by his father, and for which he has been an MP between 1967 and 1983, and again since last year. He was Jamaica's prime minister between 1972 and 1980.

Equally comfortable in disensing politics, cricket (his profession and passion, respec-tively; and on both of which he has written extensively) and John Coltrane, Mr Manley has recently been the subject of speculation about his political future, with suggestions that

he might step down soon. "My view of this is simple," the Prime Minister responds. "I will continue as long as two things obtain. Firstly, that I feel I have something to contribute, and secondly, if my party wants me to continue. The day either is in doubt in my mind, I will quit."

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WORLD STOCK MARKETS

	WORLD GIGGIL		
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MONTREAL Closing prices February 9

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Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1986 = 139.85 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

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Constituent changes: Deletion: Holiday Gorp.(US)(8/2/90), Insertion: Promus (US)(8/2/90).

Prices for Finland & Sweden were not fully updated following problems at the exchanges.

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CURRENCIES, MONEY AND CAPITAL MARKETS CROSSWORD No.7,162 Set by FRESCA MONEY MARKETS POUND SPOT- FORWARD AGAINST THE POUND LONDON RECENT ISSUES Bundesbank may EQUITIES 0.88-0.86cpm 0.38-0.20cpm 13-1-1-cpm 13-1-1-cpm 23-2-1-cpm 0.28-0.27cpm 13-1-1-cpm 33-3-cpm 33-3-cpm 33-3-cpm 13-1-1-cpm 113-1-cpm 0.44-0.44cpm lance Ann'el Latest Price Paid Spanne up Rate 4.77 2.12 5.68 2.73 4.88 2.74 4.20 7.66 4.87 7.66 4.87 push rates up 225 ANY VIEW of future of higher West German interest rates began to developments affecting Euro-9.4 10.0 pean currencies and interest circulate last week and are rates is inevitably closely tied to events involving East and West Germany. Politically likely to grow stronger. A rise in the Lombard emergency financing rate is not ruled out 18 49 129 15.1 Bonn appears to favour early at this week's Bundesbank council meeting. 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EURO-CURRENCY INTEREST RATES down (8) 26 Pack of weedkiller found A final word about copper's smartness (6) Ballet's show of superficialoutside garden centre (5) The solution to last Saturday BANK OF ENGLAND TREASURY BILL TENDER 1500 1500 1500 1500 THE PERSON NAMED IN prize puzzle will be published with names of winners on Sal Feb.9 Feb.2 Feb.9 Feb.2 500m 5167m 5500m 676.385 \$500m Trp : \$1367en Auer \$500m Auer \$96.305 June \$1% Affai Com With Law Prov. 14040 14040 14740 14810 14574 14580 14514 14546 14334 14580 14500 14512 CURRENCY RATES WEEKLY CHANGE IN WORLD INTEREST RATES OTHER CURRENCIES Feb.9 dange Sectifd Sectiff + 0195 Sectiff Sectiff STATE OF THE PARTY | Pale | Long term Extendings than years 9-6%, per cost; time years 91-9 per cost; flow years 92-9%, per cost; flow years 94-9%, per cost; flow years 9 1.27180 1.39937 1.59937 15.5930 44.3857 2.5648 2.21482 2.49828 7.59828 1447.18 145.653 MIA 1.47749 2.4748 MIA 1.3808 1.2198. 1.408.5 1.408.5 1.408.5 1.20971 2.29991 6.9289 1516.2 177.126 7.87299 132.19 1.8080 1.92.09 0.789900 FT LONDON INTERBANK FIXING Or wit his test ... 概 ii. 4 appeal to the number by fine reference basic at 11.60 a.m. each work! 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The staying power of visionary leaders

f a poll were taken for the best European business leader of the 1980s, the vote would probably go to Mr Jan Carizon, the head of Scan-dinavian Airlines. His remark-able turnaround of SAS, from an unpopular laggard to a model performer, set an exam ole which countless other com mies, in all sorts of industries, have since tried to emulate: one of the most sucssful is his arch-competitor

British Airways. In the political world, there is no doubt at all that mos plaudits would go to Mrs Mar-garet Thatcher. She may not have turned her country into a model performer compared with its rivals — though she likes to think she has — but she has certainly made it more competitive than a decade ago.

Despite their very different styles – Mr Carlzon listening, consulting and always celebrating the successes of his staff, Mrs Thatcher cajoling, directing and keeping her min-isters in their place – they epitomise the power of vision-ary leadership to revitalise an apparently moribund system.

Tougher task

But their staying power is questionable: Mrs Thatcher's because of her inability to adapt her style to changing circumstances, Mr Carlzon's because he faces a tougher task than a decade ago — not just externally, as SAS strug-gles against bigger rivals, but also within, as he tries to motivate a now confident, stable organisation to submit itself to a new revolution. Mr Carlzon's chances are

helped by a vision broad enough to encompass new enough to encompass new challenges; he is currently try-ing to transform SAS from a regional airline into an inter-national travel service company. That involves a network of global alliances, and the replacement of an organisa-tion which is decentralised

integrated.

Mrs Thatcher, on the other hand, is still fighting the same battles as a decade ago, even if they have already been won. Like Carlzon, she should be seizing on major changes in the external environment such as eastern Europe - to develop new vision and a fresh

set of challenges.
To some extent, the surviva-bility of either of them is merely the familiar question of time: few leaders, whether in business or politics, last much beyond a decade. Those who have a one-track style usually quit very much sooner (or ought to): Sir Michael Edwardes was frank enough to admit when he left the British car maker, BL (now Rover) in 1984 that if he had stayed for more than four years his value would have been only a third what it had been during the early period of his tenure.

More cerebral

More adaptable leaders —
usually the more cerebral sort
— can last much longer, and
still add considerable value.
Sir Christopher Hogg has now
headed Courtaulds, the British
fibres and chemicals group, for
a decade, taking it through at
least three different phaces: ast three different pha battle for survival in the early 1980s, revitalisation in international markets for the rest of the decade, and revolution at the end of it, with a decision to unbundle the company by splitting off the company's more dynamic businesses. Sir Christopher Hogg's track record challenges an otherwise powerful model of leadership

and revitalisation which was ented to the recent annual conference of the Strategic Management Society by two Canadian academics, Frances Westley and Honey Ministers. Stripping out the anthropolog-ical jargon, it suggests that most leaders find it hard to adjust more than once to the "cycle of revitalisation": once a revolution achieves its objective, a state of order develops in which all sorts of routines

If the leader can adjust to this change, he or she loses the ability later to launch a new revolution, retreating instead into lofty distance at the top of the newly stable system - as some SAS insiders actually claim Mr Carlzon has done, despite his efforts to the contrary. By contrast, the one-track revolutionary who cannot adjust becomes a rest-Either way, the leader's

Christopher Lorenz offenders. A more restrictive

n newspaper pictures Mr Emilio de Ybarra y Churruca looks like a stereotyped German tank commander beloved of post-war movie directors: blond hair

movie directors: blond hair combed straight back, close set, piercing eyes, and harsh lips.

In the flesh the new chairman of Spain's biggest bank, Banco Bilbao Vizcaya is far less threatening. He is not a giant, the hair is thinning, he smiles easily and suffers fools

Intense, yes, but then Mr Ybarra did not have a pleasant

It was a curious merger, as the two presidents of the banks had agreed to a co-presidency of BBV until 1992, when the older man, Mr Jose Angel San-chez Asiain of Bilbao, would retire and leave the Vicaya president, Mr Pedro Toledo, in sole command

The project, enthusiastically promoted by the Socialist Gov-ernment, was intended to give Spain a bank capable of competing with other European ciants after 1992.

By late last year the job of marrying two managements -conservative Bilbeo and flamboyant Vizcaya - had only just begun. Thousands of branches, many next door to each other, were having to co-

ordinate their work.

Then, on December 12 Mr
Toledo died unexpectedly of

liver failure.
His death set off a battle between the old Vizcaya and old Bilbao board members, all of whom had joined the HBV board. The Vizcaya people vanted to name a new co-predent on the same terms as Mr Toledo. Mr Sanches Asiam and the Bilbao team refused, say-ing the co-presidency was inef-ficient and it was time for the bank to be run as a single

entity with one president.

The row lasted more than a month. Here was the board of the country's most prestigious financial institution engaged in financial institution engaged in what at times appeared to be a hugely childish power play and, worse, incapable of solving it. Only intervention at BBV's request by Mr Mariano Rubio, the Governor of the Bank of Spain, saved the day. Mr Rubio named Mr Handhas Asian his professed president Asiain his preferred president or, if he insisted on resigning (he did), Mr Ybarra. This leaves Mr Ybarra with the uncomfortable job of explaining what happened:

Firstly, we have a merger that makes a lot of sense and I continue to have absolute faith in the advantages of the union.

MONDAY INTERVIEW

Healing a banking divide

Emilio Ybarra, new chairman of Banco Bilbao Vizcaya, speaks to Peter Bruce

. I know this would be difficult and it was. And then something absolutely abnormal happens, the completely unexpected death of one co-president. That wasn't foreseen in the merger agreements. We planned for a lot of things but naturally no one thought about the death of a co-president -at least not the younger one." "Given such an unexpected

ent I suppose it was natural that each part wanted to defend themselves. Whatever the case, the fundamental problem was going to the press with the problem," he says. "It would be a little chilculous to

PERSONAL FILE

1936 Born San Sebastian 1964 Johns Banco Bilbec 1971 Elected to Bilbao board ge Bilbeo

1986 Vice-president, chief kecutive, Banco de Bil-

1988 Sole vice-president, Banco Bilbac Vizcaya 1990 President, BSV

say there was no real problem. But in any business you have to discuss things and it gets difficult when you remove the problem from the secrecy of

problem from the secrecy of the boardroom.
Going to the press [as both sides did] complicates things and possibly we Basques [both Bilbao and Vizcaya are Basque-based banks] are a lit-tic too stubburn and when we think we have to defend nock. think we have to defend posi-tions we probably go to

Mr Ybarra, married with four children, was born in San Sebastian in the Basque Coun-try and educated at Spain's loctiest ivery tower, the Jesuit Deusto University on the banks of the Rio Nervion in

things, "they made people they taught us responsibility." Basques tend to be serious conservative people little given to flightiness. Mr Ybarra, apart from a short first job in a mining company, joined the Banco de Bilhao in 1964 and never

The Ybarra family is one of the most powerful in the Rasque Country and has spread its wings throughout Spain. One cousin is chairman of a major electrical utility, Sevillana. Mr Ybarra has relatives on both sides of the BBV board and he is said to be the RBV's higgest individual shareholder, though he side-steps questions about his stake, which is thought to be about 1 which is thought to be about I

He likes banking. "It's a very complete thing to do," he says. It gives you a very complete overview of an economy. Through a bank you don't only get to learn about finance, you're able to know something about everything. The problem is you can know about a every-thing but there is never enough time to do everything."

But it obviously pains him to have been named president by the Governor of the Bank of Spain. "It goes against my deepest beliefs," he says. Mr Rubio, he points out, intervened personally, as someone with a deep knowlege of the issues involved and not as Gov-ernor. It would have been difficult to find a better mediator, although obviously it raises the disagreeable impression that the central bank had

Mr Ybarra insists the prob-lem has been solved. "I accept that the problem was impor-tant. But now - maybe I'm heing a little optimistic — I believe I have the support of all the board."



'Through a bank you're able to know something about everything'

convinced that the boardroom impasse in December and January had little effect on morale and efficience and efficiency in the bank itself. "Look," he says leaning forward, "the problem was in the board. The merger itself is very advanced — well shead of our forecasts, Last week I vistited all of our regional head-quarters and I was able to prove — I already knew it any-way — that integration of our

networks is very advanced. The problem was at the top." If that is true — and the difficulties involved in doing retail business in some branches of BBV sometimes uggest it is not - Mr Ybarra's urgent tasks now involve imposing cohesive strategies to cover the bank's main activi-ties. He says the bank has to choose, in various areas, either the Bilbao or Vizcaya way of doing things or find a third acturion.

to change the EEV but one of the good things about a change of personalities is a change of style. We have to be much more international. We want to be in main international financial centres but to be able to use our position as Spain's hig-gest bank. What we can offer

abroad is precisely our weight in Spain.
"Until now we have tried to he in major centres with our own branches but we know that in international finance you have to have friends and collaborators so, on one hand we will try to take stakes in interesting banking ventures where we can take a role in management while looking for collaboration agreements as

But it is at home that the BBV faces its biggest challenges. Last year's pre-tax profit increase of 15.5 per cent to Pta 141bn (£770m) was low among Spain's big banks. And Banco Santander, which has just become the second largest in asset terms after overtaking Banco Central and Banesto, has terrified its local rivals by becoming the first Spanish bank to offer interest on cur-rent accounts. None of the big banks has yet followed suit, but Santander's current account deposits, backed by a hig publicity campaign, nearly mubbed in Pts 587hm between August and November last year. By contrast BBV's rose just Pta 20hn to Pta 753hm.

"Of course I worry about that," Mr Ybarra says, but

insists the BBV does have competing products, "We just don't make such a big noise about them." In fact, many banking analysis believe that a querus de pasicos, a liabilities war, is only just beginning in Spain. The truth is the competing roducts, not only in BBV, are just not that easy to come by, but Mr Ybarra is obviously still playing his cards close to his

chest.

Much the same goes for the battle, shead of 1992, between foreign banks in Spain and the local banks for lucrative feebased business in investment or corporate banking. While it would be difficult for the foreigneen great to mach the grittle. eigners ever to reach the critical mass necessary to compete netionwide for retail business with the locals, they have until recently been taking the liou's share of mergers and acquisi-

Banking in Spain is not easy. Franco's closed economy forced profitable banks to expand only at home and there are now more bank branches per capita in Spain than any-where else in Europe.

An interest rate cartel which used to keep the major banks inning to break down, as

evidenced by Banco Santander's new current account. Big savings banks, once confined to their home provinces, are being allowed to open branches nationwide to threaten commerciai bank retail business.

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The entry of foreign banks has forced up wages and led, for the first time, to open poaching of senior staff.

But it would probably be many hard to matter the senior staff. very hard to rattle Mr Ybarra. Jesuit discipline has done its job well. He is unimpressed by the fast money now being made in Spain in property speculation and asset-strip-

Perhaps the boom in this country has been too specula-tive," he muses. "The hig prof-its have not been made through professional, serious, work but through opportun-ism. In the next 10 years I would hope to see a much more professional sconomy. Speculation does not create Speculation does not create wealth."

Mr Ybarra says he has a lot of hobbies — skiing, hunting and tennis — but does all of them badly. Perhaps he is being modest. Running, and simultaneously ranovating, a jerrybuilt house like BRV is going to take a real expert.

Finding punishment to fit the times

entencing policy and practice are at the core of the Government's proposals for forthcoming legislation in criminal justice. The new framework for dealing with convicted offenders set out in a White Paper last week takes a bifurcated road. The high road proposes lengthy prison sentences for the minor-ity of offenders who are dan-gerous; the low road provides punishment in the community for the great majority of less serious and non-violent offend-

The aim is to reduce substantially the number of offenders that is being sent to our persistently overcrowded prisons, and for too long. Whether this reflects a sound penal policy or not, its success will depend heavily upon appropriate responses from all sentencers, from High Court judges to lay magistrates, but more particularly from the Circuit Judges and Recorders who deal with the more serious criminal cases in the Cream criminal cases in the Crown

Courts. The big attraction of this policy to the judges is that it would restore legalism to the sentencing system. The idea of dealing compassionately with offenders in the plant have offenders in the pious hope hope of correcting them has been abendoned lichabilitytion of offenders has been effectively challenged by penal reformers for some years as being ineffective and unjust. But sentencers were still encouraged to adapt sentences the belief that the prison system could operate programmes of reform. That often meant that prison sentences were made long enough to allow for

surstained treatment The practice of releasing prisoners on parole to take the pressure off the relentlessly increasing prison population over the last 30 years, is now discredited — at least in the eyes of the judiciary. Valuable as the parole system has been in mitigating the worst consequences of prison over-crowding, it is now thought to impinge too much on judicial independence as well as producing some absurd anomalies in its impact on comparable



JUSTINIAN

parole system will restore to the judges a sense that their publicly declared sentences will represent time actually spent in custody.
Once the idea that prisoners

can be rehabilitated is seen to can be renadinated is seen to be a chimera, and it is accepted that this may reinforce criminal tendencies, the way is open for the new bifurcated approach. The proposal is to return to an older emphasis on punishment based strictly on legal criteria. This is known to criminologists as the invites criminologists as the justice model. The White Paper's authors quirkishly adopt the alternative phrase of "just desserts" (sic). Since when can a desert be unjust?

But how just is the justice model? Does a conviction for crims imply blame, such as to justify punishment; or should punishment rather depend on a distinction between retributive and distributive justice? The justice model depends on a familiar but untenable idea that the numberment of crimithat the punishment of crimi-nals can be separated from the wider questions of the distribution of welfare of society. Per-haps the strongest challenge to the moral pretensions of the justice model is its purely neg-ative aspect: the claim that by adding one bad - the infliction of pain - to another - the commission of crime - some-

how a good will be produced. One does not have to be a determinist to favour the alternative concept of social justice, with treatment (not punishment) in the community as the core of the penal system, with imprisonment only a last resort. Karl Marx, so often depicted as an arch-determin-ist, put the point well: "Men make history, but not in circumstances of their own

choosing." Because the amou of blame properly attributable to the criminal is unknowable, the attempt to graduate the severity of punishment to des-ert, in the name of justice, becomes unreal. But it can con-

becomes unreal. But it can confidently be expected that the judiciary, reared and nurtured in the bosom of legalism, is more likely to respond to the justice model.

The Government's rejection of a Seutencing Council to help create a rational sentencing policy and practice will come as a relief to the judges who are instinctively hostile to any extra-judicial involvement in the sentencing process. The the sentencing process. The White Paper proposals offer lit-tie beyond encouragement of ideas that would inevitably lead to a lowering of the tariff of prison sentences and a shift of emphasis towards non-custo

The Government proposes to reduce the maximum penalty for theft from ten to seven years and for non-domestic burglary from 14 to ten years.
That is hardly significant and
only tinkers with the general
problem of statutory maximum only tinkers with the general problem of statutory maximum penalties. Why does the Government not adopt the more radical approach, advocated as long ago as 1978 by the Home Secretary's Advisory Council on the Penal System, of a drastic reduction of maximum penaltics across the hourd and tic reduction of maximum pen-alties across the board, and provide a highly restrictive escape route for the minority of cases which pose a serious risk of future harm? Judges do at least respect the dictates of a soveneign Parliament.

If the Government was serious about reducing the inci-dence of imprisonment it would at least accept the report of the House of Lords Select Committee on Murder and Life Imprisonment which recommended the replacement of the mandatory life sentence for murder by a maximum of life imprisonment. The Lord Chief Justice himself supports such a reform. The present fixed penalty is heartily dis-liked by the judges, if only because the amount of lengthy incarceration is calculated without reference to the course of the trial - a serious inroad upon the justice model of sen-



What a constructive idea.



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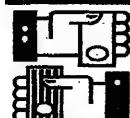
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SECTION III

FINANCIAL TIMES



The community challenge is no longer regarded as a marginal activity. Corporations are

increasingly aware that there is a job to be done beyond the

boundaries of their plants. Hazei **Duffy** reports on how business is participating in the community

A new social contract

BUSINESS is more and more expected to play an active part in the community. It is not enough for companies to look after their employees, and make sure that their share-holders are estimed increingly, they must be responsive to the consumer and the com-munity. And they must be actively concerned about the

Some of these nawly-ac-quired responsibilities can be a burden. Trying to improve the lot of the local poor was one thing in the days of the philan-thropic chairman, quite another as violence, drugs and disaffection grows in most American inner cities.

In areas where the state has withdrawn, corporate funda are often the only new source for charitable groups to tap. Corporate investment and donations are now a vital element in structuring the finance for low-income housing in the US, for instance, since the federal government has failed completely to come up-with a policy to solve what is

now a mational crisis. American companies, and individuals, tend to be community-minded. It is a tradition, reinforced by quite generous tax concessions. The fact that

corporate headquarters are scattered in cities across the country instead of concentrated, as in Britain, is also important. And companies are helped in their community work by the string of wealthy foundations, some of them

localised.

But in Britain, business even if it should want to cannot turn its back much longer on the community. Most nity programme. A sometimes passive interest is becoming more active, however. Employ-ers' growing concern about poor literacy and numeracy standards in schools is common to both countries.

The community role does not stop with those countries which went down the market economy route in the 1980s. The new wave of overseas investment - spurred by Japan, the European Single Market, and the buying spree in the US by British companies has started to make companies realise that the count nity effort also has an interna-

Japanese companies, which traditionally saw their respon-shilities only to their employ-ees and shareholders, are anz-ious to learn how to become



BUSINESS

The Community Challenge he done beyond the boundary

good corporate citizens, at home, but more particularly in the countries where they are

now operating.
In Germany, Scandinavia, and most west European countries, the tradition is that the state provides. Companies, of course, must pay according to the number of employees. Working conditions of their employees is the main concern. But here too there is a growing gwareness that there is a job to

of the plant. Business's role in the community can be at several levels. Economic re-generation became important in the aftermath of de-industrialisation in the US and Europe. Increasingly in Britain, it has a business involvement. In some cases, it is business-led.

Mrs Thatcher has made it clear that she expects business

run-down areas, whether it is the poor perts of London, or industrial towns in the north. There is much talk of business leadership in this context in the US and Britain. Mrs Thatcher talked once about "city fathers". Finding leader material has taken more time in Britain. Head offices are mostly located in London. Regional banks - important in the American local econor

British accon. However, the clearing banks, financial institutions, and,

increasingly, big firms of accountants, have taken up the community challenge with enthusiasm in Britain. People from the sector are frequently on the teams of business leaders, modelled in part on the powerful teams in the US, which are now spread-ing like wildfire in Britain.

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Editorial production

The Allegheny conference on community development, based in Pittsburgh, is the grandfather of public/private sector partnerships. City re-development authorities like those in Pittsburgh and Boston have been equally powerful forces in planning and eco-nomic development in their

British teams cannot have the power base that their US colleagues enjoy, however. The fore the power to use tax breaks as an incentive, is cen-tralised. The determination to fix things in favour of their city is also absent.

Mrs Thatcher is also putting business in charge of the Government's training effort, through the Training and Enterprise Councils. The clear age is that it is up to the corporate sector to make a go of training. The councils will also take on the job of stimulating enterprise — advising on the setting up of small compa-nies and the expansion of such companies at a later date — in their vicinity.

Increasingly, the business role needs to be co-ordinated both at the community level, and at the international level The theme of the global com-pany in the community and the environment will through the Prince of Wales International Business Forum. to be held in Charleston, south Carolina, later this month.

The forum has been put

together by Business in the Community on the personal initiative of Prince Charles, who is president of BiC. Meetings with business people impressed on him the pool of knowledge being built up about the community. He wants to channel this towards business not simply responding to problems, but helping plan better communities in the

developed and the third world. Business people might have a longer term perspective than politicians, and this is more soited to the time scale of com-

munity regeneration. Underpinning the forum is the growing maturity of the corporate role in the community. Chief executives from the

US, Europe, and the Pacific rim, attending the forum, have mostly gone beyond looking on their community affairs departments as something to do with charity. They personally lead the community effort.

Enlightened business heads have known for some time that the community role can be an investment. The variety of links between companies, schools and higher education clearly has a bottom line as far as the company is concerned, as well as keeping children off the streets.

Companies should also be forthright. They want to make a mark on their community. It is good public relations. It can make good managerial sense. Giving employees time off to work in the community can give employees an enhanced sense of being useful, and increase commitment to the company which has allowed

them to take time out.

At quite another level, US companies bought by the British know the value of maintaining the community commitment. Notable in this area was BP, which even intensified the Cleveland, Ohio, community effort started by Standard Oil; Grand Metropolitan, which last year took over Pillsbury, has made a similar effort.

The Hoylake bid for BAT Industries sent shivers down some spines in Louisville, Kentucky, and other places where BAT had made a point of con-tinuing the corporate community investment in the companies it has bought. People could not imagine that the highly leveraged bid, if successful, would introduce community conscious owners.

Uncertainty will always stalk business, Some of the most prominent corporate citizens will find themselves the victims of hostile takeover bids. A sudden downturn in profits must test the commu-nity commitment. Redundan-cies and closures do not sit happily alongside publicised community projects. But all the signs are that community involvement is spreading to more companies and countries. For many executives, it is a far

BUSINESS IN PARTNERSHIP WITH THE COMMUNITY.



You have a partner at kping Peat Marwick McLintock

Boston's public sector led growth has not been without faults. Hazel Duffy examines the city's many pioneering experiments

Gaps still to be plugged as Massachusetts miracle fades

NEW buildings and the restoration of historic buildings can be the starting point at which a new phase in the history of a city gets under way. In the process, a new form of partnership between public and private sectors is

Boston, one of the oldest cities in the US, has just enjoyed a decade of economic growth which has been the envy of other cities in the US and world-wide.

The ingredients which produced such a successful mix were to be found beyond Boston, in the state of Massachusetts, and in particular in the spectacular growth in the high-tech sector, as well as in the academic institutions, the waterfront location, the old buildings, the financial institu-tions and other factors which went to make up what has been dubbed "an urban leg-

The mystery remains as to exactly why Massachusetts and Boston (which is between one quarter and one third of the state economy) took off when it did. Mr James Howell, former chief economist at the Bank of Boston, which took a lead in the early 1970s by alertthe problems in the state, does not think that what has been dubbed "the Massachusetts miracle" is replicable any-

set up branches, starting new companies, expanding existing companies are certainly all necessary in having a balanced strategy.

The Boston Redevelopment Authority, its functions considerably boosted by the current mayor, Mr Raymond Flynn, since 1984, has helped in one of the most notable models of public/private sector co-opera-

The BRA does not buy and sell property as such, but it has considerable influence in shaping the future of the city in physical terms. By encouraging expansion in growth sectors — health care and research is the current target — and making sure that the

long term.

right places, it acts like a plan-ning agency in the economic sphere as well.

Property is the physical proof of Boston's decade of expansion. High house prices, wages, and labour shortages have been other consequences. The birth of the new era dated back to the mid-1970s. It was public sector led. It was a time of recession, high unem-ployment and pessimism in the

The renovation of the historic Faneuil Hall and adjoining buildings in Quincy market gave birth to a new concept of leisure in cities. Speciality

Property is the physical proof of Boston's decade of expansion

shopping and food halls became the centrepiece of downtown revival, as well as hugely enhancing the reputadeveloper who went on to construct Baltimore's Harbour place and New York's South Street Seaport, and many oth-

Underground Atlanta, which has involved the restoration of a run down area in the centre, complete with old shop fronts, as a deliberate statement to strengthen the revival of the

Boston's waterfront aquar-tum – to be moved to bigger premises as part of ambitious plans post 1994 - is another model for city leaders who went to create a tourist indus-Tax breaks by the city gov-

ernment were a hig incentive in getting the private invest-ment to follow. Between 1978 and 1982 or a service of the conand 1968, 85.8m sq ft of new and renovated office space was completed, 3.8m sq ft of retail space, and more than 7,000 hotel rooms. Nearly 8m sq ft of space for medical and higher education purposes came on

Mr Stephen Coyle, BRA director, works from offices in

The deep-seated problems of the

But for the community at large and

That's why Lloyd's, with the support

inner city may make fewer headlines than

for the individuals concerned, the consequences

can be no less damaging and disabling in the

of the market, established its Community

Initiative Programme in partnership with

Business in the Community. The programme

is focused on London's East End.

major natural or industrial disasters.

the street on the tree may be at the

City Hall, but he enjoys a degree of independence which allows him to negotiate in terms which take account of the intensely commercial nature of property develop-

In spite of the high level of activity in the 1980s, he claims that Boston has not suffered from the over-supply which pulled some other American cities down. "We control the supply. There is good co-opera-tion between the public sector and people who want to build in Boston."

Office vacancy rates are projected at 11.5 per cent in 1990. The BRA predicts they will stay in the 10-12 per cent range

over the next four years. Mr Coyle is optimistic about the next decade, in spite of the fact that some 5,000 jobs were lost in Boston in 1989, compared with an annual average increase of 12,000 in the previous five years.

The economic climate has been hit by several factors: the regional banks' lending history on poor property, the threat of tax increases at the state level, and the slowdown in construction since the last quarter of

The 1990s will be the test of ublic/private sector co-operation. Foreign and out of state banks have been wooed by the BRA to finance projects beyond the capacity of the local banks. The refurnishment of one of the early develop-ments – the Prudential Centre – has just been underwritten. But the hig construction pro-

cts in the pipeline will still alip back; there is particular uncertainty about the future of the Boston Crossing project.
There are real doubts that
three hig infrastructure projects relying on federal and
state funding to a varied

degree, will go sheed.
The slowdown must put pioneered by Boston. Developers pay a levy - according to the size and location of the project - into a fund which helps to finance social projects, like low-income housing, and

To date, it has helped provide funds

It has arranged the secondment of

And it has encouraged members of the

The Lloyd's insurance market plans

for the Tower Hamlets Action Resource Centre

qualified personnel to local community initia-

tives, and supported training schemes to equip

people for jobs within the insurance industry.

Lloyd's community to provide advice and sup-

port for "education compacts" with local schools.

to maintain this initiative.

and loans for small businesses in the area.

A further development of the

Lloyd's of London has underwritten risks since 1688.

In 1990, we're also helping to underwrite opportunities.

concept links the disposal of publicly-owned valuable down-town sites to sites in depressed neighbourhoods. Development

But some argue that the tax concessions to developers far outweighed any social payments that they have been obliged to make. Linkage might have worked when developers were anxious to work in the city. The prospects must be for a more difficult

climate in the near future.

of one must be accompanied by development of the other in

such a way as to provide for

the needs of the neighbour-

Mayor Flynn says that pov-erty has declined in Boston. In most big cities, it has increased. But the pockets of poverty are severe. His unpopularity with parts of the black community can be measured by the flak that he has taken over the handling of a particuover the handling of a particu-larly umpleasant murder incident last autumn. It is an uncomfortable reminder that Boston is a "pretty segregated city", admitted a leading busi-nessman who had returned after a long absence.

Boston has pioneered many experiments in public/private sector co-operation, like the Education Compact, where the city's business leaders have taken a prominent role.

But there are still some big gaps waiting to be plugged. An extensive study published last summer confirmed what every-body suspected, that getting a bank loan — for home or business - is more difficult in the inner city. .

The Massachusetts banks, with some prodding from the Federal Reserve Bank of Bos-ton, the city, community leaders, and others, have agreed to package a facility which will be targetted at these areas.

Boston has shown itself to be a lively, ambitious city. Government and business have worked together. Some innovative deals have been struck. The next decade will be watched with interest by out-siders to see whether harmony can be maintained under

Compact is one of many schemes aimed at improving inner city schools. Hazel Duffy on the link between education and business

Testing partnership that needs to produce positive results

EMPLOYERS want to recruit and train good school-leavers. The improvement of education standards and discipline in schools is a critical component in preparing high school pupils. to take jobs, or go on to col-lege, and keep them away from crime.

In the US, many companies are involved in a variety of initlatives to try and reconcile these two objectives.

Education partnerships, in common with partnerships for economic development, are the most advanced of the various forms of partnership arrange-ments in the community, says Ms Renee Berger, former direc-tor of the partnerships division of the Walte House Tank Force on Private Sector Initiatives, now running Washingtonhased Teamworks consultancy.
"This is because they are both related to the corporate bottom

The scale of the problem confronting education is immense in some US cities. The drop out rate is 29 per cent nationally, and in some big urban areas it is 50 per cent. It is estimated that employers in the US are spending \$250n a year teaching basic skills to

compacts, pioneered in Boston, offer a possible solution for a minority of students. Detroit is in the first year of its Compact. It took two years to set up, the details worked out in the first half of last year, and the scheme went into operation in five schools last September, one high school and four middle schools.

The inclusion of the middle schools, it is hoped, will estab-lish the disciplines (required by the agreement) in students at an earlier age. The archi-tects of the Detroit Compact believe this was one of the fallings of the Boston Compact which has since bean remodel led. Agreements with individnal students have also been than the whole plan being imposed from the top.

The business side of the agreement includes the guarantee of jobs for graduates who meet required standards. Scholarships for students going on to college, and summer jobs, are provided in conjunction with the state government and higher education institutions. Packages of resources for state of the state of each school is provided by a group of businesses, while individual companies provide tutors and management assis-

Signatories to the agreement also include the city, building



and chief executive of tirend Metropolitan: supporting.

trade unions, the Board of Education and General Superinten-dent, school administration. teachers, parents, and stu-

Standards of attendance and punctuality will be tough to meet. One estimate is that only 10 per cent of students will meet them. Academic skills, personal management skills, eadership and teamwork skills are all part of the package by which students will be assessed for their "job readi-ness". For students wanting to go on to college, the standards

are more rigorous.

The difficulty for employers will be to turn down students who meet the skills requirements but fail on attendance and punctuality.

But the signatories hope that the Compact will be a force for changing "basic behavioural problems" in the schools. Those problems revolve around drugstaking and pushing load drug-taking and pushing, leading to rival gangs in schools. Compacts have been set up in several British cities. The first was sponsored by the private sector. They now receive government funding.

Grand Metropolitan was one of the first sponsors. This spring, it will help fund another American transplant to Britain in the shape of Cities in Schools (CIS), which is also sponsored by Burger King, a GrandMet company, in the US.
The launch campaign will lead
to a pilot in Tower Hamlets, in
London's East End.

CIS aims to lower the appallingly high rate of drop-out from school. Its organisation is based on the premise that the services needed to help youth who are at risk are there; but that they are scattered across a number of agencies, with the result that young people are confused, and do not make use

Working with school officials, government, business and volunteer groups, CIS brings the services into the schools to work alongside the teachers. The result is "an extended family of profession-als". Family members, social services and the individual are all given responsibilities in the

Companies can use CIS as a means of involving their workforce. In Atlanta, employees of Rich's store are given time to serve as tutors and mentors for students. The students can take part-time and summer jobs in the store, to make them. familiar with work, and to

The store also runs Rich's Academy to give a second chance to those who have dropped out. Most are from single-parent homes, 15 per cent have had children, 98 per cent are economically disadvantaged and 10 per cent are juve-

nile offenders. Burger King Corporation is planning 10 similar "academies" in the US. Many of the company's 250,000 employees are teenagers, so it makes sense for the company to try to improve the chances of young people to stay in school, pro-viding the labour which the

company needs.
Business and education partnerships enjoy the blessing of Mrs Barbara Bush, wife of the president. CIS even managed to win an extra \$1m federal funding recently.

To make them work, however, requires more than money. Dale Mann, a professor, and Barbara Reinhalter, senior research associate, at the Centre for Education and Employ-ment, Teachers College, Colgave the following rules for business:

Act like a business, not a charity: make investments, not Stick to your business - if a corporation makes a visible, name-brand recognition com-

mitment, that makes for a more vigilant partnership

Negotiate goals, measure outcomes, enforce accountabil-Have a vision. Most dreams are shattered in schools, so, if you have an idea about a dif-

ferent teaching technique, sub-ject, or what education should fundamentally be, and you are willing to assist in the initiative, go for iti E Teach. People who enter education from other fields do not realise that they often have much to teach, not in the form of passive delivery systems, but using the increasingly

innovative training techniques in business.

BP AMERICA

Facing uncomfortable truths

"In 15 all well and good to same fears that the British praise the private sector for nice projects. But private sector initiatives are not going to cure sick cities. They're only a in 1990, BP America expects drop in a gigantic bucket."

Mr James Ross, president and chief executive officer of

BP America, called his speech last summer to the City Club Forum in Cleveland: "Facing

Forum in Cleveland: "Facing an uncomfortable truth."

BP America's drop in the gigantic bucket exceeded \$11m last year, split between education, civic and community projects, health and human services, and help to neighbourhood projects.

It looks quite substantial, although in fact the figure had been a good bit higher before the 1986 profit downturn and BP's full takeover of Standard Oil, which actually initiated

Oil, which actually initiated Oil, which actually initiated the community projects in Cleveland. It is a measure of the respect earned in the US by British-based BP that, in spite of the cut, the company is mentioned frequently in the US as a leader in the community programme areas.

gramme arena. The reason seems to be that the programme is well thought out. It is managed by a special-ist division. Senior management is personally involved. Mr Robert Horton, Mr Ross's predecessor and now chairman designate of BP, quickly

to spend \$13m on community programmes. In Cleveland, home of the head office, the emphasis is on the blighted. areas between the city centre
- which is in the process of
being restored and renewed -

in the early 1980s, Cleveland was a city of growing affluence, but the city itself was falling apart. Standard Oil, as it was then, decided it wanted to make a mark that its then policy of giving across the board was not achieving. Programment hard on a college of the contract of the c

through the community development corporations - nonprofit, grass-roots groups which are well developed in

and the lash suburbs. In the early 1980s, Cleveland

grammes based on self-help provided the answer. That meant working in part

the US. More than half of their boards normally come from the neighbourhoods. Money, and people who could bring exper-tise to the boards, were put in. Housing is one of their prior-ities. The long-term plan is to get the banks back into the

ighbourhoods on a normal, straight market basis. That means creating confidence and Much of Cleveland's housing tiatives Support Corporation (LISC), which has become an increasingly important link group in facilitating funding of low-income housing, was



Ross, of BP America

BP has involved itself in around 500 units of housing, investing through various groups, and taking advantage of federal tax credits available on housing. This way, compa-nies can make a return of between 9 per cent 16 per cent per cent on social investments.

Improvements to the silbac education system are high on BP's list. Pressure from leading companies in the city, has opened up the debate with the authorities. Meanwhile, nearly \$2m has been subscribed to a \$16m fund which awards acholarships to people selected to go to college. Most are from eth-

nic minority groups.

But it is not only a question of giving. Mr John McDonald, executive vice president, sets the scene for others to make a commitment to making the chools work.

Another focus is an organisa-tion called Neighbourhood Progress Incorporated Resi-dents, who sit alongside representatives from local corpora-

sentatives from local corpora-tions, government and foundations, are trained to manage neighbourhood revival BP's Mr Ross played a lead role in setting it up. There can be no compla-cency in Cleveland. Poverty has increased in the 1980s, in spite of the general affluence. The city looks like it is pulling off a remarkable feat in arrest-ing the spiral of decline in ing the spiral of decline in which it seemed hopelessly caught up 10 years ago. But it can really only claim a success if those neighbourhoods are revitalised.

GENERAL MOTORS

Speedy action stops decline

GENERAL Motors has occupied its head office build-ing on W. Grand Boulevard, four miles north of downtown Detroit, since 1922.

Then, it was a thriving mix-ture where people lived, worked, shopped and were entertained. But decline, so familiar in older US cities, set in, exacerbated by the 1967

riots.
GM seriously considered moving out of the area. In the 1970s, it decided against it. Instead, the company made a positive commitment to stop the decline, by improving the area immediately around the

New Centre.
The original area comprised
18 blocks. The second phase of
the project has extended the area. Consultants had recommended housing rehabilitation, and eventual private owner-ship, as the key to making the

GM was the prime mover in the operation, although other companies in the area have played a part. It moved



The revitalised New Centre area in Detroit, where GM is based

towards being the catalyst. A development partnership was set up. It set about buying up much of the existing housing. Some has been cleared to make way for new single family homes and apartment blocks. That meant moving out ten-

Public finance has been an important constituent in the whole operation, in the shape whole operation, in the snape of federal grants (UDAG) administered by the partner-ship on behalf of the city of Detroit. The National Bank of Detroit provided 30-year fixed rates to encourage people to

General Motors helped fund the relocation of tenants, and building of subsidised housing in the neighbourhood which came to be called New Centre Commons, which represents a joint public/private sector investment of nearly \$60m, The public investment is about 15-20 per cent of the total.

Some fine, timber houses in the area have been renovated. Streets have been closed off to minimise through traffic, lighting improved, trees planted, in a bid to make it an area where people would want to live. Many people work at nearby Wayne State University and the huge Henry Ford hospital.

ments proceeded, GM started a new phase which focused on the redevelopment of the commercial district. A partnership was formed with a Canadian company, Trizec, and an eight-storey atrium complex was built. As well as offices, retailers have moved in, although als have moved in, although slowly. The owners of the Hotel St Regis, opposite the GM head office, have reno-vated and expanded the hotel. "Our whole effort was to cre-ate an environment to the

ate an environment for future development", said Mr Robert Gregroy, manager of the pro-gramme. "Now, our goal is, with others, to enhance links with the area, to create a cultural centre (the area includes the famous theatre in the beautifully rich Fisher building), and to go on keeping the area stable."

way, and other companies, wanting to do something simi-

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South East !

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GM has learned along the lar, come to learn from GM.

They think they know how to run business better than the Government.



(So does the Government.)

For this country to succeed in the nineties, it needs a more skilled and adaptable workforce.

Anybody in business will tell you that.

They'll also tell you not to pin your hopes on politicians to do the job.

Oddly enough, that's a sentiment the Government is the first to agree with. That's why it launched Training and Enterprise Councils — to give business men and women greater authority and spending power to promote economic growth in their own communities.

TECs were only launched in March. Today, over 50 are well under way, covering two thirds of the country.

And what everybody thought

would take at least 2 years to achieve has happened in just 9 months.

That's a good sign. Because over the next decade we will need an imaginative and informed response to skills training.

And the people who will make that happen don't sit in Government; they sit on TECs.



id up the debate 🐗

THE TECs SO FAR

South East Milton Keynes, Hertfordshire, Essex, Hampshire, Isle of Wight, Thames Valley, Heart of England (Oxfordshire), Kent. London Aztec (Kingston/Merton). South West Avon, Devon/Cornwall, Dorset, Somerset, Gloucestershire. West Midlands Birmingham, Walsall, Staffordshire, Dudley, Wolverhampton, Coventry/Warwickshire, Sandwell. Northern Teesside, Tyneside, Wearside, County Durham, Northumberland. East Midlands and Eastern Central & South Cambridgeshire, North Nottinghamshire, Norfolk/Waveney, Suffolk, Greater Peterborough, Northamptonshire. Yorkshire and Humberside Sheffield, Calderdale/Kirklees, North Yorkshire, Rotherham, Leeds, Barnsley/Doncaster, Wakefield. North West Manchester, Cumbria, East Lancashire, Rochdale, Oldham, South and East Cheshire, Wigan, Stockport/High Peak, Bolton/Bury, St. Helens. Wales Mid Glamorgan, North East Wales, West Wales, North West Wales, Gwent. As at 29/1/90.



LEADERSHIP PROGRAMMES

Tomorrow's stars

US CITIES and towns have given birth to a new format to express community conscious-

ness in the past 10 years. Community leadership programmes are designed, quite simply, to groom people across the spectrum of the commu-nity in common goals for the good" of that community.

The first leadership programme was set up in Philadelphia in 1959. Now there are hetween 400 and 500, and they are spreading to smaller towns, where two or three might group together.

In the best American tradition, the programmes are grouped, loosely, under the umbrella of a national associa tion which stages an annual convention. The chambers of commerce have supported the programmes with accommoda-tion, staff, etc.

The objectives of the local programmes are similar, but the mix of people ar' cted to take part and the means of informing and educating them in the community with a view to them becoming "leaders" are adapted to suit the local

Leadership Atlanta, for instance, which has been going for 20 years, summarises its

objectives thus:

Establish relationships among existing and emerging leaders from varied segments of the community to assist in solving community problems. ate participants on facts of significant community issues and alternative approaches to solutions to community problems.

Develop and inspire leader

ship in solving community

Participants are selected each year to take part in courses consisting, typically, of about six one and two day sessions. The successful applicants - in most cities, people ere quening up to take part -ere picked from business, gov-ernment, the arts, charitable institutions, education, churches and local community

lection is made partly by reference to the applicant's experience in community affairs, but also to their current position and potential promotion within their organisa-

In Detroit, for instance, there is a determined effort to mix racial groups. Thirty four per cent of the current year group is black, five per cent from minorities; half of the group is

Leadership Cleveland has a particularly high participation from the city's businesses. They include chief executives, and the tier from which the business leaders of tomorrow

"We take about one in three of those who apply," says Mrs Judith Ruggie, who runs the Cleveland programme. "It is very hard to turn down people who are in a leadership role in their companies. But nobody buys the programme. We try to

Leadership Cleveland has a particularly high participation from the city's businesses,

including chief executives

keep a balance, about one third, including females, from the minorities. But we do not

go in for tokenism."

The new mayor of Cieveland was a participant in the class of '79. He rubbed shoulders with people who have since emerged at the top of their corporate trees, for instance, and those who have gone on to represent local communities.

The participants in Detroit learn about the criminal justice system. That includes a visit to a prison, which can come as an eye-opener to many of the participants. They study the education system, visiting public schools. They threah out sues relating to racism.
"It creates rapport, and leads

to increased co-operation between diverse groups," says Mr Lowell Baker, who is on the current programme. He lives in the city and is an active worker in the community. He works for the Detroit wing of the Associated General Contractors of America.

We have to find a way of improving co-operation between the city and the sub-urbs," he adds. Some think that one of the main achievements of leadership programmes is that they offer a means for suburban residents
- mostly middle-class, white Americans - to do something for the city proper.

Critical to the longer term effectiveness of the programmes is the alumni system. Ten years in existence adds up

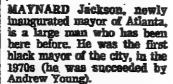
to about 600 people who have been through the programme in any one city. Their photos and brief details appear in a book updated every year, which serves as a valuable source of appointments mate-

rial. A full programme is organised to keep up the contacts and bring together participants from different years.

Keeping up the momentum will become a problem for these programmes as they are these programmes as they go into their second and third decades. Mr John Reed, cur-rent president of the National Association of Community Leadership Organisations, and a senior Louisville lawyer, explains that the next phase is

community trusteeship". People must be made aware that there is a community implication that goes beyond the immediate interests of the two parties to a negotiation, between trade union and employer, for instance.

Finance for the development of this phase in pilot pro-grammes is being made avail-able by the Lilly Endowment, as part of a wider study on communities. "This will not create a Utopia, but it will give the community leaders another vehicle to understand that their responsibilities are broader than those that surfance in the heat of the moment," says Mr Reed.



Andrew Young). He inherits a city which is expanding rapidly in the fast-growing state of Georgia. It has long been home to big corpora-tions such as the Coca-Cola company. R J Nabisco relo-cated to Atlanta three years ago. The airline hnb of the south-east, it is the headquar-ters of Delta airlines. The city s the US's candidate for the 1996 Olympics

Mayor Jackson, however, is confronted with many of the same social problems that loomed in the 1970s. A power-ful group of business leaders has worked with the city to ensure that the downtown area is not disadvantaged by developments to the north of the

The restoration of part of the historic centre close to Peachtree Street into a covered area of speciality shops and food hall - Underground Atlanta will, it is hoped, further underpin the downtown effort.

But the homeless cannot be

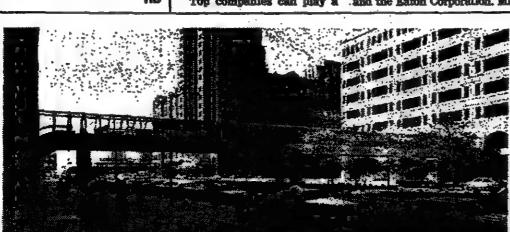
hidden. They are on the streets which are lined with substan-tial office blocks, department

MR EDWARD Crawford, a "very conservative Republi-can", who has a string of small manufacturing companies, was the ceremony to mangurate Mr Mike White as mayor of Cleve-

land on January 1.

The black mayor had campaigned on a programme for social justice, but he is careful to include businessmen among his advisers in a city where

Top companies can play a



Detroit's New Centre area has been overhanted by GM's patronage

Hazel Duffy meets Atlanta's Mayor Jackson

Poverty amid plenty

symbol of the problem of pov-erty in the midst of plenty, and of the wider question about how that wealth is distributed. Mayor Jackson, recently promised that he would come up with "a legitimate, humane solution" to the downtown

It will include new housing units on parcels of land around the city owned by the council. the rehabilitation of public housing, and the sale of houses to people paying market rents. A new criminal justice cen-

tre, with courts, accommodafor police and a pre-trial detention centre, is planned. Crime and drugs haunt Atlanta along with so many other US It has one of the highest inci-

state of education and the lack of skills perpetuate the pov-

dences of AIDs sufferers. The

A comprehensive youth development programme, building on the experience in neighbourhood groups in other cities, is planned.

Government is becoming more entrepreneurial, and far more aggressive in establishing the means for fighting poverty and homelessness," he

Mayor Jackson, however, cannot afford to let social policies take priority over eco-nomic stimulation. In fact, as a bond lawyer, he wants actively to promote a financial market for Atlanta, which would start with bonds trading.

He also plans to market city owned sites for industrial development, particularly to international developers and

About a year ago, the city's conomic development corporation brought off a deal to the airport Local investors had not been particularly interside of the city. British-based London &

joint venture to win the tender which was marketed internationally. London & Edinburgh Trust has considerable experience of developments based on

The city is proud that it con-cluded the deal without the need to offer subsidies. It sees the centre as the starting point for economic development on this side of the city.

Work has started on the site, which will comprise a new tel and conference centre, and office buildings which will eventually total 700,000 square

Racial politics are intensely important in Atlanta. The home of the civil rights move ment, the city still recalls that it did not suffer the same violence as other southern cities. Visiting delegations from African states descend on the city, a spin-off from Mr Young's days at the United Nations, but also a statement to the black

leyor Jackson: faces many of the same social problems that bomed in the 1970s

power structure in Atlanta. But the business sector is "the single most civically responsible group in the city," says tha

It is enlightened self-interest. "Civic duties are the route to power in Atlanta," he adds.

PROFILE: EDWARD CRAWFORD

Businesslike approach

in American cities. Cleveland ica, Goodyear Tire, TRW Inc., and the Eaton Corporation. Mr

is headquarters to at least 15 companies in the Fortune 500 ranking, including BP Amer-

Crawford shows that there is also a role for the people who run the small businesses. "I go along with the mayor's sensitivities on neighbour-hoods. People tried to solve the problem by throwing money at

them, but it did not work. It is security of work that matters," A New Yorker, he came to Cleveland by accident." He qualified at night school, and started his first business in the heart of the city. All his employees came from the eth-nic minorities.

"My 20s were spent in this atmosphere, the real life of the inner city. I began to under-stand what was really happening, not just reading about it."
His skills have survived and his business expertise has expanded. He picks up and turns round traditional manufacturing companies — a formary and a forging press, document cases, sta — all labour intensive, mostly accument, and located in the inner

His vehicle is a venture capital company. We go into situa-tions other venture capitalists would not because we are a manufacturing operation, not a

People tried to solve the problem by throwing money at neighbourhoods, but

It did not work. It is security of work that mutters

His tough employer stance

- "You have got to be aggressive in low-tech industries in
the US" - belies an intense interest in people. His interests are numerous. He is chairman of the Private: Industry Council (PIC) for the county. He organised the drive which brought the Olympic torch to Cleveland on its way

to Los Angeles. (PICs are a national network of joint public/private sector

agencies which try to match the labour needs of employers with federally-funded training programmes and educational institutions. The premise underlying PICs is that people made redundant in the made redundant in the restructuring of the US manufacturing industry must be re-trained. Britain's emerging Training and Enterprise Councils are modelled in part on

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Bringing the economically disadvantaged – the "difficult to serve" – on to the labour market is a prime target. But in Cleveland, employers have discovered that the problem goes much deeper. Many peo-ple from inner city back-grounds are illiterate. Training therefore becomes the second step, the first must be to teach the most basic skills.

The problems that face part of the PIC open up the whole question of standards in Cleve-land's public schools, as well as homelessness and the shortage of housing among people on low incomes.

The mayor will be watched with close interest by Clevelanders to see whether he can match his promises. Mr Craw-ford, in spite of his very differ-ent political persuasion, sims

Progress

through Partnership

Coopers &Lybrand

Coopers & Lybrand Deloitte recognise the benefits which can be created for all by joining together business and the community. Working in partnership inspires a commitment to progress and creates the strength to succeed. That is why we actively support

Business in the Community and Common Purpose.

Our commitment at Coopers & Lybrand Deloitte is not just to provide Solutions for Business, but also to contribute to the well being of the communities in which we work and live.

askins & Sells in the UK.

This will merge on 29 April 1990.

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Solutions for Business



BP helps to refine the world's most valuable resource.

Young people are our most valuable resource. That's why BP has traditionally sponsored educational programmes in countries around the world.

With teaching material and development projects, we encourage students to get to grips with practical issues. And our local link schools allow

students special access to BP facilities and industrial plants.

We don't pretend that there isn't an element of self-interest involved. We're helping to produce young people who will be an asset to any industry. Even, dare we say it, our own.

Supporting education is one of the things BP is doing today, for all our tomorrows.



For all our tomorrows.

MR PETER Henschel says that what stops many business leaders from becoming involved in the community is not unwillingness, but a lack of working mechanisms through which their energies

can be channelled sensibly.
"Sensibly" is a key word.
Time is so short for all senior executives that they cannot afford to waste it on anything which underuses or underval-

ues their talents. So Mr Henschel, a former deputy mayor of San Francisco, has spent much of the past 18 months persuading groups of them to work together on the one area where they ought to excel – planning strategy and getting it imple-mented.

Together with Mr Richard Wade, a former head of BBC Radio 4, he has been helping to set up Business Leadership Teams (BLTs) around Britain. Each of these is an executive committee of the heads of the most significant businesses in

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er basie gielle,

Most cover a city, some a conurbation, some a small town, some of them specific areas of London. Eleven are now in place, two more are being formed, and six others are being talked about. The two men have been the

lan Hamilton Fazey on how Business Leadership Teams are helping to revive Britain's regions

Team spirit sustains entrepreneurial attack

core of Business in the Cities, which is a forum of Business in the Community (BiC), the CBI and the Phoenix Initiative, the inner city charity.

Mr Wade, who joined BiC in

1986 to set up its experimental partnership of local private and public sector leaders to regenerate Halifax, in West Yorkshire, was managing director, until he left last month to become head of the Advertising Association. Mr Henschel is now in tem-

porary charge. He has been working in Britain while his wife is on a two-year assignondment from Coopers and Lybrand Deloitte, the accoun-tancy firm. The forum will probably become part of BiC when the Henscheis return to the US in the summer.

By then, the work should be done. Indeed, having two such

heavyweight salesmen for the BLT idea has also been part of not wasting senior executives time in the selling process.



to top decision makers in industry and commerce is nowhere more obvious than in north-west England, where 17 business leaders decided to work for a whole economic region of more than 7m people.

rather than a single city or Christopher Harding, chairman of British Nuclear Fuels, Mr north-west team Andrew Quinn, managing director of Granada Television, includes some of Britain's leading industrialists, such as Sir David Alliance, group chief executive of Coats Viyella, Mr Coloroll, the Duke of Westminster, Mr Desmond Pitcher, chief executive of the Little woods Organisation and Mr Antony Pilkington, chairman

of Pilkington.
Mr Henschel says: "These papele had never met together before. They all discovered they like it. Each has a stake in worrying about their region. They bring their business fractioned to mostling and don't instincts to meetings and don't leave them at the door. We have several good ideas and projects to back and we shall see an increasing amount of

Mr Ashcroft has played the chairman's role and has continued to do so in spite of Colo-roll's recent troubles as a result of economic downturn, although his lot will be eased shortly when a chief executive is appointed to run the BLT.

The significance of the north-west team is that its members hope to encourage initiatives that will transform the role played by the private sector in the community and in economic development.

They hope to break out of the small scale of private sec-tor support for enterprise agen-cies or partnerships covering individual towns or cities so as to create a wider regional or

Fields being covered include transport policy and its effect on competitiveness after 1992, the creation of a more positive

image for their region, promo-tion of inward investment from enterprise, and environmental and inner city projects. Mr Ashcroft stresses that the team is not another lobby

group. "The CBI lobby process is usually a head to head clash, followed by a moan," he says. The team will not compete

cipal activity, with corporate resources being used to pro-

abroad and relocation north-wards by companies in the south of England, training and

with existing agencies but sup-port them, beefing up their budgets where needed. budgets where needed.

Diplomacy is seen as a prin-

duce the research and informa-tion needed for back-up. For

example, there have been pri-

vate talks with the Govern-

ment about improvements to

the infrastructure needed for

the advent of the European

Single Market in 1992.

This is an important plank

in the team's strategy, which makes the inter-relation of road, rail, air and sea transport

central to regional industrial

inward, the north-west's agency for attracting overseas investment, is also being

hacked. It cannot promote the region to the overcrowded south-east without jeopardis-

together. The results have included The Wearside Opportunity in Sunderland, which is led by Mr Frank Nicholson, chairman of the business leadership team

logge is focusing on support for Moss Side, the problem area in

However, strategic regional projects will get wider backing. The team as a whole is sup-

porting Manchester's new world-class concert hall for the Halle Orchestra because it will

affect the quality of life in the region and enhance its ability

to attract and retain able exac-

It is also backing an environ-

mental clear-up campaign for the region. Another flagship

project is for an international-

standard sports centre. The team is linking here to the British bid to stage the 1996

Olympics in Manchester.
The rationale behind the

team was described by Mr Ash-

croft last year: "All of us indi-vidually are pursued by vari-ous charities. It was felt that

the sum of the whole would be

much greater than what any of us could achieve on our own.

Other business leadership

teams have been smaller and

committed to a single commu-

nity. We can look at a region

None of this is to decry the

work of the other teams, but it is unlikely that so many senior

industrialists would have come

together for a less ambitious

project. Moreover, other smaller BLTs are in place or

planned within the north-west

and will pursue their own

The BLT initiative arose

after BiC had formed its Cald-erdale partnership, which is centred on Halifax, and the

CBI had encouraged The New-

objectives at local level.

The key to making these initiatives work seems

to have been to bring together business

leaders who would not otherwise have all

met at once, especially when chairmen of

International companies have been involved

Manchester's inner city.

Vaux Breweries, and The Hal-lam Group in Sheffield, chaired by Mr Hugh Sykes, who also will pay for this directly. Each issue backed by the team will have a champion chairs the city's urban developfrom among the chief execument corporation. The Blackburn Partnership, founded by BiC, is also a BLT, tives and chairmen to lead the fight. For example the infra-structure work is being led by and there are others in Not-

Mr Alan Cockshaw, chairman tingham, the Rhondda Valley, of AMEC, the construction and Bradford, Bristol, Teesside and Birmingham. North-east London's team is property group.
Individual projects will also be adopted by particular team members: for example, Kel-

chaired by Mr Allen Sheppard the chairman and group chief

castle Initiative. Phoenix was

also operating in several inner

cities and it was logical to pull the thinking and action

The team will not compete with existing agencies but support them, beefing up their budgets where needed

executive of Grand Metropolitan. It has raised £25,000 for a tourism trust, which will work closely with the East End Heritage Centre, a commercial development by Brent Walker. A Newham BLT is in the embryonic stage and will be led by Mr Neil Shaw, the chief executive of Tate & Lyle. Another is planned for north-west London. Business in the Cities is also consulting on teams for Derby, Londonderry, Knowsley, Pres-

ton, Camden and Cornwall. The measure is always going to be whether there is enough local commitment to make it hold," Mr Henschel says. "Other developments will help because each team is developing healthy and prag-matic links to the new Training and Enterprise Councils. On Teesside they have inter-locking boards."

The key to making these initiatives work seems to have been to bring together business aders who would not otherwise have all met at once, espe-cially when far-travelling chairmen of international companies have been involved.

It was different a century ago, when communications ers were rooted more strongly in the provincial cities where their businesses were born. Then, they served on local corneils and founded chambers of commerce. Now, these bodies are too time-con and non-specific for them. The BLTs look like being a more

ENTERPRISE AGENCIES

Evolution of market provokes radical change on agencies

BRITAIN'S local enterprise agencies are a particular case of the theory of evolution. Their birth and early propagation were more accidental than planned and they have already proved one of the more durable and successful job creation initiatives of the last dozen years; but they must now adapt or

The need for this enforced change is that the market they service - Britain's small busi-ness sector - is changing in composition and needs. At the same time, the agencies have to find new sources of sustenance for themselves in the shape of money to pay their running costs.

A further force is the arrival

of the Training and Enterprise Councils (TECs). The "enterprise" side of the TECs is likely to be filled by the agencies. Most of the bigger ones are talking now to the TECs as they form, aided by many examples of overlan between examples of overlap between private sector managers who sit on the boards of both.

The agencies began in the late 1970s. Britain had witment during the previous five years and starting a small busi-ness was an obstacle race through red tage that deterred all but the most determined.

This prompted several inde-pendent local initiatives, but the one which became the model for early imitators was the Community of St Helens. Trust on Merseyside.

This was underwritten by Pilkington and supported by the town council, both of which saw it as a means of apreading the local industrial base so as to decrease dependence on the glass industry, where new technology was for-

cing mass redundancy.

The original concept was developed Mr Bill Humphrey. an energetic but restless semior executive in his 50s, who had run several companies or large divisions of big corporations around the world, but who had attained independent means. and was looking for an outlet

for his energy. He was interested in job creation through encouraging ation through encouraging would-be entrepreneurs. He quickly evolved the idea of a small business advice burean where people could be shown how to help themselves.

Advice centred on how to assess the market for their ideas and taleats and the draw.

ideas and talents and the drawing up of business plans to secure bank loans to get going. For the clients it was a training exercise in the first stages of entrepreneurship.

Banks responded by lending staff to help run the agency and advise clients. Over the years this process was to pro-duce a much wider under-standing among bankers of the

needs of small businesses.
If proof were needed that the enterprise agency was an idea waiting for its time to come, their growth in the seven years to 1986 would be it. The St Helens model was

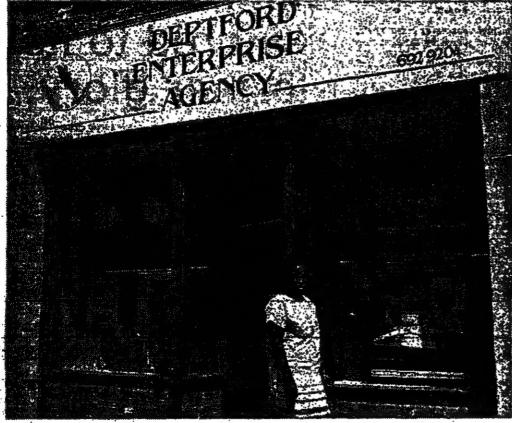
copied first in the north-west, then more widely after Mr Michael Heseltine, then Envi-ronment Minister, had spotted the potential and secured start-up funding from Government for new agencies.

In 1983 their spread became even more certain when Mr David Trippier became small firms minister and decided to encourage a more than doubling of their number to at least 300 agencies, spread throughout Britain, within

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three years. Although Government funding was available, this was seed-corn money. The bulk of the resources needed — cash and kind, the latter in the form of secondments of staff and gifts of equipment - had to come from the private sector gence of the super-agency. ing the agencies revolve round



The Deptiord Enterprise Agency in south London: agencies are under pressure to adapt or dis

and local councils. Tax concessions encouraged this process. The result is that there are now more than 300 enterprise agencies. More important, however, is the increasing spread of private sector sponsors, which were initially confined to the top few hundred big businesses in

According to Mr David Gray-According to Mr David Grayson, managing director for
operations at Business in the
Community (BiC): "More than
5,000 companies sponsor enterprise agencies. Since 90 per
cent sponsor only one, it follows that most of the sponsorship is local and by mediumsized companies.
"Snongers now include many

"Sponsors now include many ex-clients. Sponsorship still takes the form of cash or secondment of executives for

BiC became the umbrella organisation for enterprise agencies early on in their growth and they themselves Some of them even have their own substantial venture capital funds. It is important to try to make this sort of service more widely available, with the super-agencies becoming small business financial bou-

tiques."
One such agency is Donbac, the Doncaster Business Advice Centre, which last year raised film from pension funds and local institutions for its own repture central fund. Meny venture capital fund. Many investors were individuals buy-ing a 1,000-share minimum stake at £1 a share.

St Helens Trust started its own fund more than they years are referred to Presing to Presing the Presing

ago, using the Business Expansion Scheme rules to set up a

syndicate of investors among well-heeled locals.

St Helena' annual report, just published, also reflects the changing nature of the agancies' marketplace.

There was a 28 per cent in the number of people asking for start-up advice, but a 25 per

.'We are seeing the emergence of the

super-agency. Some of them even have their own substantial venture capital funds. It is important to try to make this sort of service more widely available, with the super-agencies becoming small business financial boutiques'

BiC's own development.
With Prince Charles as its active president, BiC now fig-ures largely in all of Britain's strategic thinking on how to foster local economic development and, quite literally, to get more businesses involved in

Mr Grayson is the guiding force in present developments. He says: "There is a continuing change in the agencies' client base away from the unemployed seeking self-employ-ment or to set up a small busi-

"In 1968, the latest figures, half of all inquiries nationally were from people with jobs who wanted to work for themselves, often requiring a much more sophisticated range of help than mere advice."

Some financial packages arranged by the bigger enterprise agencies now run into hundreds of thousands of pounds. "Relatively few of the agencies will be able to provide this," Mr Grayson concedes. "We are seeing the emer-

have been the backbone of cent increase in actual start-

Dr Ron Halford, the director, has been with the trust from Mr Humphrey's days and is now Britain's longest-serving enterprise counsellor. He says this reflects a greater commit-ment to actually starting up among people seeking advice. New starts in 1988-89 totalled

143, which represents more than 15 per cent of the 869 since 1978. There were 22 expansions by existing compa-nies, while 324 other busi-nesses came for other advice.

Redundancies among bigger employers in the town continued, however, bringing the aggregate of declared job losses plus the 1980 unemployment level to a figure of nearly

There has been little migra-tion, but unemployment is down to just over 8,000, which means that nearly 20,000 jobs have been created in the town in 10 years, This in turn means that the agency idea must have worked, Dr Halford says. However, the problems fac-

Mr Grayson says: "There is a lot of competition for resources and sponsorship. To solve the problem we think the trend will be for between 40 and 50

how to match increasingly

sophisticated demands with

levels of sponsorship which are

unlikely to expand fast enough to fund them, in spite of the larger number of sponsors.

super-agencies — perhaps four or five in each economic region — sitting at the centre of a network of advisory-type agen-"Agencies specialising in

Agencies specialising in particular advice or fields would offer these into their local network. The underlying trends would have happened anyway without the TECs, but they are accentuating them because one of the things the TECs will be encouraging strongly is much more net-

working between the agencies.

"There will be a trend to common marketing and the swapping of particular consulting specialities. This sort of networking will keep local knowledge intact while enabling a wider spread of a better service. It will also spread the costs and give spon-sors better value for money. For the agencies the TECs will themselves offer a route to earned income because they will be able to bid for enterprise training, which the Gov-ernment wants to contract out to improve its local relevance. The agencies are also developing services which they hope clients will be happy to pay for. These will be in fields smaller businesses cannot afford in-house, such as appraisal, training and head-

information, similar to those provided by West German chambers of commerce. Not that the agencies will be copying any other country. There is still a widespread ignorance among the general British population about what they do but they have become much admired abroad, not least because they have pro-vided a vehicle for private sec-

hunting, as well as comprehen-

sive databases of business

tor support for local job cre-Many countries wish they had something similar and are trying to set them up. It is not always the British who need to

ion Hamilton Fazey

"It's not just business sense to care about the community. It's common sense."

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SHEFFIELD: World Student Games

The toughest test yet

THE ROLE of businesses in put to its sternest test in Shef-field as the city struggles to ensure that the World Student Games, which are scheduled to take place there in 17 months' time, are actually staged.

The company running them is £2.5m in debt, the bulk of the £27m operating costs has yet to be raised, the chief executive has been sacked in an acrimo-nious row, neither the BBC nor ITV networks want to run the television coverage, and build-ing costs of the sporting facilities have risen from fillin to

The city's political and business leaders are now pouring in short-term cash and man-Games, the largest sporting event outside the Olympics, with teams from 120 countries and more than 6,000 competi-

Sheffield embarked on this high-risk venture nearly four economic therapy. The city had spent much of the early 1980s staging a damaging slanging match between its Labour council and the local business community over who was to blame for recession and rising unemployment.

Each side seems to have become aware of the sterility of the debate at about the same time and a rapprochement began. The games would bring everyone together with common purpose, so £850,000 was spent to win the right to stage

A charitable trust, Sheffield Leisure and Recreation, was set up by the city council, together with two subsidiary companies, each limited by guarantee with the council as the first guarantor. One company. Sheffield for Health, would build and develop the facilities – and operate them afterwards – while the other, Universiade GB, would run the games and at least break even. The plan was for Sheffield for Health to borrow on the open market for the stadium, swimming pool, arena and any-thing else needed, the sums to

be repaid by the city over 25 years. Meanwhile, Universiade GB would live mostly off sponsorship, which was itself dependent on selling television

rights. An overdraft of £1m -

council and the private sector was to finance Universiade's early growth as it built credihility and sold the games as a concept to television executives and thereafter to a cas-

cade of sponsors.

The failure to sell television rights before the money ran out left Universiade GB with a problem typical of many a risky business start-up: finanand advance the necessary capital, but a combination of rapid growth, accelerating costs and slow revenue soon creates

cash-flow proble The rescue is now in the hands of Mr Norman Adsetts, chairman of Sheffield Insulations and also of the Yorkshire and Humberside regional council of the CBL Mr Adsetts is also a principal figure in Shef-field Partnerships, the vehicle through which the public and private sectors have been working together in the city.

It has already achieved much and has been held up by Business in the Community (BiC) as an example of how to do things.

According to Mr Peter Henschel of Business in the Cities, the forum of BiC, the CBI and the Phoenix Initiative, the inner-city charity: "The World Student Games would appear to be a classical case of overraised expectations and a great challenge now to the business community. For the sake of the survival of the partnership, Mr Adsetts and his friends have got to deliver those games."

Mr Adsetts says that Sheffield's experience is not unusual and that every leading games around the world in recent years that have not been state-backed have had similar problems with management and funding.

His own presence as one of Yorkshire's industrial heavyweights is probably the main factor in Universiade GB's credibility as far as potential local sponsors are concerned. Special packages have been designed for them ranging from £5,000 to £250,000.

For example, "partnership" can be bought for £10,000, entitling companies to discounts on programme advertis-ing and preferred access to events. For £35,000, sponsors can adopt a country, with acknowledgement on all flagpoles flying that country's flag and the availability of its athletes for promotional events. Other sponsors are being sought for the associated cultural festival.

Some debts have been converted into membership of the 91 Club, the £5,000 subscription to which brings with it special concessions on tickets for the opening and closing ceremo-

The latter are likely to be paid for by the Meadowhall property group, which is build-ing Europe's largest retail and leisure complex in Sheffield. The company has put up \$250,000 and is expecting to

invest a total of £1m.

Can the games survive? Of
Universiade GB's debts, £1.5m is a loan from Sheffield for Health which Mr Clive Betts, the pragmatic and wall-re-garded leader of Sheffield city council, says might eventually be converted to a gift. The company is up against its over-draft limit of £1m but it does have monthly payments from the Sports Council – part of 23m total grant which seems to have been 18 months late through a combination of red tape and policy review by the

Mr Adsetts believes all this will be enough to bridge the gap until television coverage and the ensuing international corporate sponsorship can be secured. However, there are for Universiade GB to hire an independent production company, if needs be, to take the pictures, which would then be sold on for broadcast around

the world. In the meantime, recruitment has been frozen and future staffing needs will be met from secondment. Mr Adsetts believes that the experience ahould provide invaluable management training and he hopes that companies used to seconding staff to commu-nity projects will jump at the

There have already been some bitter recriminations about what has happened so far. More arguments later if the games run at a deficit would be a poor advertisement for partnerships embarking on anything really ambitious ever

Halifax's sprawling carpet mills were the source of the area's wealth at the turn of the last century. Today they are generating a new type of wealth for the turn of a new century. lan Hamilton Fazey reports on a successful example of property recycling

DEAN CLOUGH Industrial to develop and get things Park must rank as one of the most successful pieces of property recycling in Britain. Yet seven years ago it faced a scale of dereliction so large that it threatened to blight the town of Halifax, in Calderdale, West Yorkshire.

The park is a sprawling com-plex of former carpet mills in the heart of the town. There are 16 multi-storey Victorian mills containing 1.25m sq ft of space. With 11 of the buildings listed, there was no prospect of their being demolished as they became disused and empty.

It was here that the turn-of-the-century wealth of Halifax was generated by the Crossley family. However, when Inter-national Carpets took over Crossleys and rationalised production to Kidderminster, it seemed the mills had run their

They had - as a carnet factory. Today they are generating a new type of wealth for the turn of a new century. Old

space has been refurbished, divided and let.

At the park there are 300 businesses employing more than 3,000. They pay more than three times more in rates than Dean Clough did as a carpet factory. Only 200,000 sq ft remain for redevelopment, but building a bigger multi-storey car park to ease existing demand is as much a priority.

Dean Clough's revival is cen-tral to that of Halifax and the county of Calderdale in genfallen to 5.3 per cent.

It was because Dean Clough was there - and on the way to regeneration – that Business in the Community (BiC) chose Calderdale in 1986 for Britain's first real attempt at the sort of "one-town partnership" which had successfully transformed several struggling, old indus-trial towns in the US.

These partnerships are between the public and private sectors, between politicians and business leaders. A century ago, the same people often occupied both roles. Civic buildings, parks, and libraries all over Britain testify to the effect this had on their communication. effect this had on their commu-

In the US there has usually had to be at least one very large private sector developlan Hamilton Fazey | ment to enable a critical mass

going. Thus in Lowell, Massa-chusetts - which is about the same size as Halifax, with about 100,000 people - the spur was the Wang Corpora-

Wang built its headquarters in the town, bringing high technology jobs. When it put its training centre in the mid-dle of Lowell, a Hillom hotel followed, which was certain of reasonable occupancy because

of the regular flow of trainees.

Dean Clough occupied this catalytic role in Calderdale in getting the partnership going, thanks mainly to Mr Bruest Hall, Dean Clough's developer. He bought the mills in 1983 after disengaging from the Mountleigh property group, which he had founded, to do something more creative.

Mr Stephen O'Brien, BiC's chief executive, describes him When BiC chose Calderdale for its experiment, Mr O'Brien immediately took his annual leave in Calderdale to get the feel of the place. Mr Hall's was an important, formative influence. The partnership catalysed the Halifax Building Society into action through Mr Crawford Laughlin, a senior executive. He joined a "focus group" with Mr Hall and Mr Richard Wads from BiC.

From the private sector chairman of the locally based Spring Ram kitchens and bathrooms company, one of Britain's more spectacular business successes of the 1980s. He was joined by Mr Ken Sin-field, whom Sun Alliance had installed to run its Bradford and Pennine motor insurance subsidiary, which had formed and expanded in Dean Clough. The public sector side of the group was provided by the leaders of the political parties on Calderdale council and Mr Wichael Ellison, the council's Michael Ellison, the council's chief executive.

Regular visits from Prince Charles, BiC's president, helped stress the importance of the venture, while members of BiC's general council - mainly the chairmen or chiefs of most of Britain's top 200 companies - have looked for themselves. The effect has been to attract new investment and jobs. The partnership's director - at



Ernest Hall, Dean Clough's developer. He bought the mile in 1983 after disengaging from the Mountleigh property group

Dean Clough Industrial Park

Blighted area restored to its former glory

funded by Business in the Cities - has moved on and the partnership vehicle is called a projects company" with a chief executive on secondment from Yorkshire Electricity

The company is funded by Yorkshire Bank and its first project will be to make up unadopted streets on a break even basis for the benefit of the community. A commercial project is in the pipeline. Meanwhile, the original partfirst a BiC man and later nership is represented by an

expanded focus group. A large site for industrial development which was identified early on is about to come into use and a development plan for the mill town of Sowerby Bridge is well

under way.

Halifax is to house Eureka!

the national children's museum, which is supported by the Clore Foundation. The partnership persuaded Mrs Vivien Duffield, Sir Charles Clore's daughter and head of the foundation, to look at Calderdale. A business leadership

team has been formed, chaired by Mr Hall and with Mr Ellison as its chief executive.

Not everything has gone smoothly. In 1988, United Riscuits closed its KP Foods factory in Halifax with the loss of 1,000 jobs, and the partnership's future was threatened. It was not so much that Sir Hector Laing was then chairman of both UB and BiC, but that he did not take the focus group into his confidence so that the partnership could soften the blow. Indeed, the row had wider

implications because some peo-

ple thought it was about the

right of companies to make commercial decisions unfettered by their support for BiC. However, private sector members of the Calderdale partnership maintain it was about tact and public relations, not the rights and wrong of closure. Ironically, the KP closure wiped out the 1,000 extra jobs the partnership reckoned it had fostered in its first year. It recovered, and the jobs were largely replaced, but at a price.
Some people in the borough's controlling Labour group remain suspicious of private sector motives. Understandably, they question if the partnership is there to make it easier to close factories. It meant everyone worked that much harder to prove that the

As Mr Hall puts it: "One very important value fostered by the partnership has been that as we have worked increasingly with the public sector we have come to spend much time debating and achieving consensus. We take

effort has an intrinsic worth of

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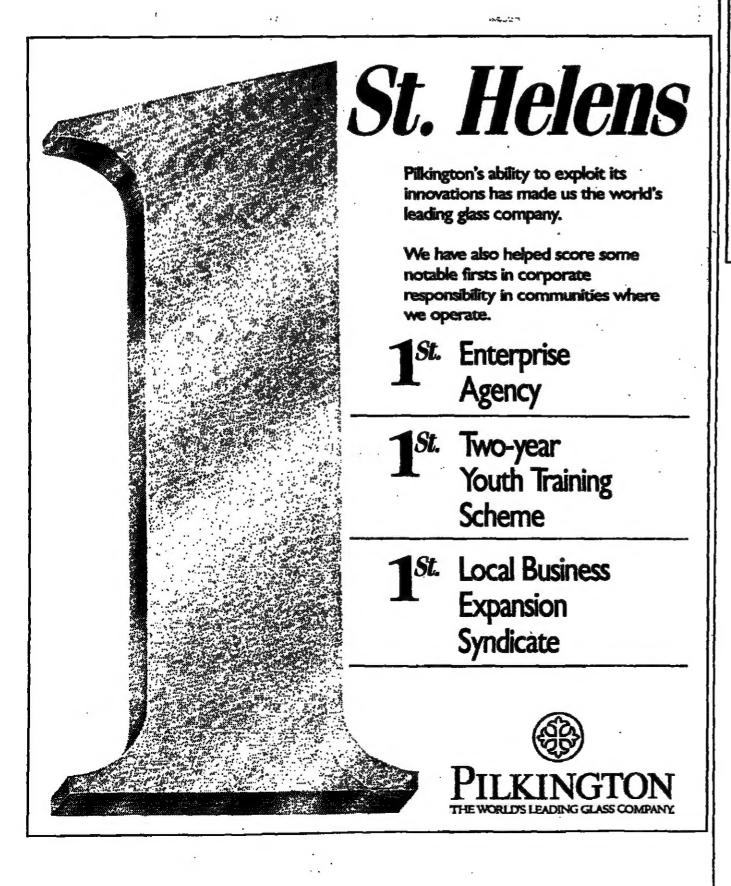
its own and is leading to a bet-

much more notice of the public sector than we ever used to. "I can only urgs people to look at the proof. We don't have job problems now as much as social problems, and we're working on those."

This has led to an unusual benefit. Mr Hall is an accom-plished concert pianist and his concept of quality of life has a strong hias to the arts. So Dean Clough also houses the north-ern branch of the Slade School Art, while the Henry Moore ft studio there with up to six international sculptors in resi-

dence at any one time.

Mr. Hall has also put together one of the best collec-tions of British contemporary art in a gallery off Dean Clough's main fover. Small wonder that the Northern Ballet, which wanted to move from Manchester, has settled



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School for future leaders

COMMON Purpose is a newly-launched project as yet little known or understood in Britain: but if it grows in the way that similar organisations have mushroomed in the US, it could soon become a familiar feature of community life in cities up and down the coun-

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Mr Hall puts & 1

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The project is unusual in providing funds or other resources to help less privi-leged members of society. Its single aim is to identify emerging leaders in the community and show them how they can make a greater contribution to public life.
The concept stems from a

belief that successful cities need good quality leaders, and that most cities simply do not have enough of them.

In the words of Ms Julia Mid-

dieton; Common Purpose's 31year-old founder and chief executive: "If you go to almost any major city you'll find there are 10 or 12 people who are on virtually every board and project, and very often you'll hear them asking 'Where the hell are all the others?'

The idea, like so many of its kind, was born in the US, where it emerged for a variety

One was the race problems of the 1960s, which emphasised the need for greater understanding between different sec-tions of the community: another, the trend towards corporate mergers, which too often stripped cities of local business leadership by putting decision-making in the hands of remote national corpora-

The first programme was set up in Philadelphia in 1959. Now there is barely a city in the US which does not have one, and they are grouped together under the beamer of the National Association of Community Leadership Organisations, set up in 1979 to act as a focus and a source of infor-

Credit for bringing the idea to the UK goes to Mrs Middle-ton, who had earlier pursued a career in employee relations and successfully launched the Head Start programme for training unemployed young people in inner cities.

Mrs. Middleton heard about

the US experience of community leadership organizations



Julia Middleton, Common Purpose's chief executive

aged between 30 and 45 and

working in a paid or voluntary

capacity.

But most important, they are perceived as emerging leaders, involved in making decisions

which have an impact on life

once selected, the participants - about 30 or 40 of them - pay a course fee of 2500 which their employers are

expected to provide. They then ioin a 10-month programme

consisting of an opening two-day residential seminar followed by one day a month of

intensive, 12-hour sessions covering key issues in the city, in Coventry, for example, the nine monthly sessions are

focusing in turn on education, government, health and social services, environment and

housing, the economy, quality

of life, crime and justice, peo-ple and potential, and the

city's image.

A typical session might consist of addresses from keynote speakers, then a division of the

group into case study syndi-cates, site visits, further work in syndicates, feedback from

experts in the field, and a final

The idea is to educate the

in 1988 and, enthused with the thought of what it could do for UK cities, set up Common Purpose as a non-profit-making charitable trust in 1988.

Getting the project off the ground called for nearly 2500,000 worth of start-up finance. Half of this came from the government's Action for Citles programme and the other half from Body Shop, BP International, British Telecom, Coopers & Lybrand, Grand Metropolitan, National Westninster Bank and Wellcome. After a few months of groundwork, the first two Common Purpose projects were launched in Coventry and

last year and swung into action last October. Participants in each programme are drawn from as wide a range of backgrounds as possible to reflect the diversity of the city's community. They may be from the arts,

Newcastle-upon Type in April

business, commerce, education, health, housing, industry, local government, the media, police, the professions, religious groups, trade unions or voluntary organisations. They are from a variety of

cities work in the hope that they will one day become influential community leaders and put that knowledge to use.

The programme should also broaden people's outlook so that when it comes to making decisions, they look beyond the narrow confines of their own job and see those decisions in the context of how they affect the city as a whole.

This is not just an altruistic exercise. Mrs Middleton cites the recent example of a Coventry company that introduced new plant and then had to spend around £250,000 on sound deadening equipment because it had failed to anticlpair objections from local resi-dents about the noise. With a better understanding of the way housing relates to the environment, she says, the decision-makers might have avoided the proble

"People at senior levels can not operate well within a city if they have no knowledge of sectors beyond their own," says Mrs Middleton.

"If you want to move your business, for example, you have got to have the ability to work with local government. It you want to do almost any got to be able to work with people beyond your own sec-tor." thing within a city, you have

Employers have responded enthusiastically to the scheme seeing it as an economical way of developing management potential within their own employees while simulta-neously giving something back to the community in which they operates.

Common Purpose is still very much at an experimental stage. Another three schemes in Bradford, Islington and Swindon - will start in October, followed by two more in January next year.

By then, receipts from tuition fees should enable the scheme to become self-financing: and if it is judged a success, it will be ready to spread throughout the UK.

Richard Tomkins

Common Purpose, 20-22 Great Titchfield Street, London W1P ZAD. Telephone 01-323 5131

people at the top of British institutions would not take up many yards of parchment. There are relatively few prominent business people from among the ethnic minority communities. Relatively few chief officers of local authorities. Few head teachers. Even

A SCROLL of honour of black

fewer senior police officers. This comparative lack of representation of Britain's ethnic minority communities in leading positions is accompanied by over-representation at the other end of the scale. Afro-Caribbean and Asian people are disproportionately likely to be unemployed. They form a large proportion of the population of many of Britain's inner city areas, where they face a wideranging combination of eco-

nomic and social problems. For younger people, in par-ticular, education and training offer opportunities to overcome the disadvantages often associated with this environment. But research produced by the Council for National Academic Awards for the Commission for Racial Equality last month suggests that disadvantage can

minority graduates. The report finds that they have greater difficulty than white graduates in obtaining jobs and are more likely to be unemployed after graduation.
"In describing the difficulties

they encountered in finding suitable employment, the eth-nic minority graduates mentioned ethnic origin as the factor which most hindered their search for a job," says the report. "They felt it often influenced the conduct and out-come of job interviews."

Survey evidence, says the report, supported this view. Graduates from ethnic minorities needed more interviews that their white counterparts in order to obtain a job offer. While, in common with all

graduates, they were unlikely to be unemployed in the long term, members of ethnic minority communities were less likely to be satisfied with their eventual employment and "although the evidence is not all one way, the quality of job obtained is likely to be inferior to that obtained by a similarly qualified white graduate."

One of the CRE's recommendations for overcoming the problem is that employers should implement equal oppor-tunities policies in accordance with its code of practice for eliminating racial discrimination in employment.
This has a wider application

that simply among graduates. Preliminary results of a formal **ETHNIC MINORITIES**

Notable absentees

investigation by the CRE into employment and training opportunities in the Cardiff area show that two-thirds of employers have formal equal opportunities policies — but the reality is that ethnic minorities are under-represented in most of those employers' workforces.

There are no grounds for thinking that Cardiff is unusual in this respect - the results are similar to a national survey carried out by Social and Community Plan-ning research in 1985-86.

Demographic changes are reducing the numbers of young people in the workforce, and CRE officials hope that in this tightening labour market employers will adopt more posing young people from ethnic minorities. It wants them to review recruitment and selec-tion procedures in case they give rise to direct or indirect discrimination, and introduce ethnic monitoring to identify areas of under-representation.
The Home Office, through its

Ethnic Minorities Business Initiative, is engaged in a drive to increase the number of compa-nies run by ethnic minority business people, and help them make the fullest possible contribution to the economy.

A development team is engaged in helping ethnic minority entrepreneurs to develop business contacts; encouraging local enterprise agencies to ensure that their communities, and persuading banks and other groups to give particular attention to ethnic minority business needs.

Among its specific activities

the development team is cur-

rently:

Adapting a local purchasing scheme in Coventry, which is helping small inner city busi-nesses to win a substantial number of contracts from both the public and private sectors, for introduction in Nottingham and three other cities. Running from this month 11

workshops for 230 bank managers in four cities, which are designed to improve their response to business proposi-tions from ethnic minority entrepreneurs.

ton in May which will publicise examples of good local enter-

■ Negotiating with business schools and other organisations to develop training programmes for business counsel lors who work in ethnic minority communities.

prise agency marketing, and

the operation of development loan funds.

There is an increasing recognition now among enterprise agencies and other service providers of the need to assist developing ethnic minority businesses, and not to concen-trate solely on start-ups," Mr John Patten, the Home Office

Minister responsible for race relations, told an Ethnic Minorities Business Initiative conference earlier this month. "While many of the problems facing small businesses in the start-up phase remain as those businesses develop, growing businesses face additional problems."

In spite of some positive initiatives, many black people in Britain face not only disadvantage but open racial discrimination which at its worst becomes racially-motivated

One of the most disturbing recent descriptions of the negative aspects of ethnic minority life in Britain came in the recent report on an inquiry by Lord Gifford, QC, into race relations in inner city Liver-pool. This concluded that the situation in the city was "uniquely horrific," with black people facing threats, taunts, abuse, violence and a "devastating lack of mobility.



IBM in the community

Mr Tony Cleaver, chief executive IBM UK, who heads Busis In the Community's task force on the environment. IBM is noted for its policy of seconding staff to community projects. The cost in 1968 was £1.37m. Computer equipment and software donations totalled £941m, and cash donations £1.94m. Advice on making contributions more effective comes from a panel of charity leaders working with IBM

The Sirhowy Innow as 32 bouncers.



As you can see, the standard dress of the bouncers in question is more romper suit than penguin suit.

That's because the landlord, George Maund, has decided to set up a playgroup which will meet in his pub four mornings a week.

The Sirhowy Inn is situated in Tredegar, a small town in the Welsh Valleys.

And like many small communities it had a distinct lack of facilities for the under fives.

When the new playgroup opened it was a success with both the local mothers and us here at the brewery.

Because making more use of pub premises is just one of the many things we encourage through our "Whitbread in the Community" programme.

Other ventures include our Youth Training Scheme which currently has 360 trainees.

And we're also supporting 25 enterprise agencies which help to create or save thousands of jobs each year.

Moreover our "Community Care Awards" are designed to recognise and reward ordinary people who have helped less fortunate members of the community.

And what do the bouncers think about all this? "Gaga goo goo" was the Whitbread in the general consensus of opinion. High praise indeed Community.

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The Japanese want to be good corporate citizens. Robert Thomson asks why

The social challenges that lie ahead

JAPANESE companies have a long and honourable history of sending emissaries abroad to study manufacturing and marketing techniques.

These assiduous travellers have visited factories, asked strategic questions, taken copious notes, and adapted the intelligence for use back home. Now, a different kind of factfinding mission has become popular. Japanese companies want to learn how to be "good corporate citizens", a phrase in vogue among executives in Tokyo, and so managers are visiting companies with successful foundations, such as Levi Strauss in San Francisco and AT&T in New York.

Last November, there was a conference in Tokyo on "Becoming a Good Corporate Citizen". Mr David Rockefeller, chair-

man of the Rockefeller Group, spoke on "private philanthropy in an interdependent world", while Mr Akio Morita, chairman of both Sony Corporation and Japan's Council for Better Corporate Citizenship, took the theme "the role and challenges



for Japanese business in the global localisation period." The "global localisation period" is also the "investment friction period", and the selfimprovement programmes undertaken by Japanese companies have been led by a desire to become good corpo-rate citizens in foreign coun-

Strangely, the level of community consciousness is much lower at home, but the learning experiences abroad are beginning to influence corpo-rate attitudes to the domestic

Japanese companies, known for the strong support net-works established for employees, have argued that the gov-ernment has obstructed the development of the broader value systems espoused by

some foreign companies.
For example, the *Keidanren* the Japan Federation of Economic Organisations - estimates that US corporate donations amount to about 2 per cent of gross national product



Aklo Morita, chairman of Sony and Japan's Council for Better Corporate Citizenship

while the comparable figure in Japan is 0.1 per cent. Mr Yoshio Nakamura, dep

uty director of the Council for Better Corporate Citizenship. said that companies have always looked to the government to satisfy community needs, and that the government has stifled community consciousness through high corporate tax rates and puny tax deduction allowances for charitable donations.

"If the government does not change tax regulations, it will be difficult for companies to change," Mr Nakamura said. Japanese companies can only claim 1.25 per cent of their income tax as a deduction for donations. In the US the figure is 10 per cent." (The Japanese government also allows companies to claim deductions to an additional 0.125 per cent of their capital.)

Mr Nakamura is also deputy director of the international economic affairs department of the Keidanren, which last November launched the "one per cent club" - member companies are supposed to donate one per cent of income to worthy causes, in Japan or abroad and has resolved to "make 1990 an inaugural year for Japanese corporate philanthropy." The problem of relying on

government bureaucrats to do community work is also high-lighted by Mr Tadashi Yamamoto, president of the Japan Centre for International Exchange (JCIE), which co-organised the first group tour of Japanese company representatives to US corporate charities in 1988 and co-sponsored the 'good citizenship conference' in

Tokyo last November.
Mr Yamamoto says that private philanthropy does not have a strong tradition in Japan, as the government has been seen as almost totally responsible for the public's

"The government has led the economic catch-up, and there has been very little promotion of private philanthropy. Foreign pressures have been a catalyst for change.

He points out the image problems abroad exacerbated by some companies making large cash donations to various universities and charities. without being prepared to donate time.

"There is the image of the Japanese businessman abroad signing up for the golf club in Europe or the US, but not join-ing the chamber of commerce or Rotary," Mr Yamamoto said.



NOMURA

A JCIE report prepared on the US visit in 1988 concluded that the "participants at least understood, if they were not totally convinced, that philanthropic and voluntary activities are essential for the success of a business corporation in any given regional commu-

nity."
The report also advised that "there can be even greater neg-ative reactions against Japa-

nese corporations which attempt to improve their images only through financial

Similar themes are echoed by Mr Nakamura: "When we are in foreign communities we have to be neighbours. We have to participate in the com-munity. I think voluntary work is more important than

The first organised group of Japanese merchants to become involved in community works was apparently the Akita Kanon Ko, established in 1829 and devoted to assisting impoverished farmers, the financially distressed, and orphans.

In the build up to the Pacific War, companies were under pressure from the militaristic right wing to prove that they had the nation's best interests, and not just profits, at heart. Asahi Glass established a foundation for technological research and social welfare,

while the best known foundation was the Mitsui Ho'on Kai, established by the giant indus-trial combine in 1934 and translated as the Mitsui Association to Repay the Obligation (to the The growing strength of the

conomy in the 1950s provided an opportunity for a broader vision of the corporate role. and Toray, the textile company, established a science foundation in 1960 after having been influenced by Ford Foundation of the US.

Companies such as Mitsubi-shi, Toyota, Sumitomo, Maru-beni, and C.Itoh established foundations in the late 1960s or early 1970s, when burgeoning wealth had prompted a con-

role, yet these were often just well-intentioned experiments in philanthropy and sometimes fettered by limited budgets and outlook.

nity.

However, under the Social

Democratic hegemony that has

more than half a century the

role of employers in the com-munity has been severely cir-cumscribed. The state has not

encouraged corporate Sweden to shoulder social burdens in

the wider society for ideologi-

It is the traditional Social

Democratic purpose to univer-

salise social provision through

the public services in an egal-tarian way on the basis of a system of high taxation. The

country's employers have been encouraged to channel their social energies into improving the conditions of working life inside their plants rather than

to building up their connec-tions with the world beyond

Under Swedish social democ-

racy it is the state and not the private sector employers which has sought to construct the

good society. It has been the

persistent and innovatory role of the public authorities that

the workplace.

plants.

nessmen in society.

About the same time, some larger companies established research institutes that were intended to broaden the company's community base and contribute to creative thought. The Nomura Research Institute was set up in 1965, the Mitsubishi Research Institute in 1970, and the Hitachi earch Institute in 1973.

A foreign employee at one of the best known Japanese formdations said that the parent company still lacks a clear vision of what role the foundation should perform.

The employee said that little of the foundation's money is devoted to domestic projects senior staff are failed manager of the main company, and foreign donations go to projects that have high prestige value or the potential to draw media

Mr Nakamura, whose council is planning another US



MITSUBISHI

group tour by Japanese managers for April, said that companies have always been keen to give money to well known for-eign universities such as Harvard or Oxford, but are begin-ning to diversify donations.

The money has gone to the famous universities, aithough recently, in the US, this has been changing But Japanese companies in England do not think about their local areas, they like to give funds to Oxford and Cambridge. Sometimes we should be more behind the scenes," he said.

One of the dangers of large,

up front donations to high-profile institutions is that the money could be taken the wrong way. A recent article in the The New Republic entitled "The Japanese Megaphone" has prompted an emotional debate over whether Japanese sponsorships of such things as university chairs are an attempt to "win American hearts and minds" and part of a "concerted political and economic strategy."

Corporate giving for tax consideration is not an important factor, says Mr Niemeyer. Unlike in the US, where up to

50 per cent of corporate contri-butions are tax deductible, in

Germany only 5 per cent of total company donations quali-fled for tax deduction allow-

THE social citizenship ethics of Sweden have shaped the attitude of the country's employers since the 1930s. The consensus between capital and labour, first enshrined in the 1938 Saltsjobaden Agreement has ensured Swedish employers have had to accept wider obligations to act as good citizens in a democratic commu-In the network of public. institutions that cover almost every facet of Swedish life the employers enjoy a presence by right as labour's social partner and through a process of compromise and accommodation they have learnt to conform to norms of social responsibility which are far higher than in

Volvo's Pehr Gyllenhammar: supports an enlightened form of

SWEDEN

Corporate conscience stirs

good causes from their own personal fortunes.

Moreover, there is a tradi-tion of financial sponsorship of

sporting events like tennis championships and horse shows by companies; the recent renovation of Stock-holm's Opera House benefited from some private corporate

has been all-embracing in the evolution of Sweden's progres-During the 1980s some critics have suggested that the stan-dard of ethical behaviour in sive social policy. Nevertheless most Swedish employers exercise a keen social conscience. This has the business community has declined sharply with the rise become particularly apparent of a more acquisitive and amoral get rich quick mentalin recent years on environmen-

Over the past five years the It is suggested that Sweden's byzantine tax system has encouraged subterfuge, a bend-ing if not a breaking of rules Volvo company, for example, has spent more than Skribn on improving the interior and the exterior environments of its and regulations.

The new self-made men of finance and industry have been The company's chairman Mr pilloried in the mass media for their allegedly lavish life styles and many Swedes have lamented what they see as the demise of the old employer val-Pehr Gyllenhammar is the articulate exponent of an enlightened capitalism that stresses the wider responsibil-ity of companies to the world in which they operate. He is not alone in his. Other

ues of honesty and integrity.

Last December, Mr Jacob
Palmstierns, chairman of Sweden's largest bank, Scandinaviska Enskilda Banken, was
connelled to region because of employers like Mr Marcus Storch, president of Aga, and Mr Jan Carisson, the head of Scandinavian Airline Systems, compelled to resign because of his alleged tax irregularities retain a similar highly moralisover a peppercorn rent he paid on a luxury villa provided by the bank in one of Stockholm's tic view of their role as busi-

been a successful fusion between commercialism and sparked off a tharacteristic-bout of self-righteousness ethics in corporate business life exemplified in the past by benign patriarchs such as the about the ethics of the market economy, though by interna-tional standards there is no late Marcus Wallenberg. However the Swedish tax reason to believe that Sweden's businessmen are any the less dutiful than their contempo-raries in other western counsystem has done little to encourage the use of corporate finance in community activity.

Private charities fail to enjoy Sweden's comprehensive tax the benefits that can stem from reform, to be completed in 1991, looks unlikely to encourtax exempt donations from age employers to take a more On the other hand individual prominent role in public activities than they already do at the entrepreneurs like Mr Anders Wall, head of Betjer industries, and Mr Peter Wallenberg do provide financial support to

But as the country becomes more individualistic and its

sense of social solidarity con-tinues to disintegrate, the opportunities for companies to exercise their social consciences in the wider society may well grow more promi225 m

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On the other hand, Sweden has few serious social problems of its own that require specific remedies from the lectively in the community. With no significant underclass. fuil employment, adequate housing and relatively well-off pensioners, there is no sense of urgency for entrepreneurs in the community.

It is true serious strains have begun to appear in the fabric of the Swedish welfare state at the moment, particularly in the provision of child care centre places and hospital treat-ment for those needing routine operations; the pressure for a more private entrepreneurial involvement in such areas is growing all the time.

But none of this seems likely transform the deeply held belief in Sweden that the purpose of employers is to provide the financial resources that the state can use for the betterment of every citizen through the provision of public ser-

However, there is perhaps an even deeper tradition in Swe-den that should not be entirely forgotten. It was the chemist Affred Nobel whose philan-thropy created the Skr31m investment fund in 1900 to be used for the award of annual prizes to those in the arts and sciences who had 'conferred the greatest benefit on man-

But even in the Nobel Foundation, the governments and parliaments of Sweden and Norway play an important role. As always public and pri-vate benevolence go hand in hand. This is very much the Nordic way.

Robert Taylor

WEST GERMANY

Sense of duty underpins donations

MOST West German companies have a narrower view of their role in the com-munity than US and British companies. The exceptions are those companies which finance foundations. These foundations are very close to their corpo-rate benefactors, unlike in the US where the big foundations

A sense of duty to "contrib-uts to the public good" was cited as the main reason behind German corporate donations, according to a study commissioned by the Cologne-based Institute of the Corporate based Institute of the German Economy. Social responsibility, donations prompted by "per-

sonal contacts" and image-building were the other mains

Whatever the reasons behind their generosity, public recog-nition of the fact is apparently much sought by German com-panies. The chemical concern Hoechst AG, for example, stopped sponsoring a marathon

in Frankfurt after the race was referred to simply as the Frankfurt marathon instead of the Hoechst marathon.

Pique aside, companies are giving more than ever before but their contributions are still low by international standards. According to the Essen-based Association of Foundations for German Science (AFGS), in 1987 German companies spent about 0.5 per cent of corporate profits on public welfare, about a quarter of that donated by US companies.

"We in Germany do not have the frontier spirit and the sense of independence that people in America had when they were conquering the wild West," complains Mr Horst Niemeyer, chairman of the AFGS, an umbrella group representing several thousand private, local government and industry foundations. "We are more used to expecting help

from the government."

The AFGS estimates that in 1988 German companies made donations of some DM410m, up 7 per cent from the previous year. Yet the true figure is difficult to determine. Many companies, including Hoechst, rarely disclose the amount they give to charities or local causes. One factor cited behind this reticence is that revelations of welfare contributions to charities, for instance, would anger the companies

workers.

"Imagine what people would say if we made public the amounts we gave to the local football team after the management refused to negotiate a pay rise for the workers or said profit declined that year," says

one industry executive. German sociologist Mr Hel-mut Schoeck believes many companies suffer badly from an inferiority complex and are seeking to defend themselves from potential accusations of being only profit-oriented.

He points out that "the purity and the beauty" of giv-ing can be justified only when "the benefactor is propelled by the joy of giving and not by a bad conscience." At the same time, Mr Schoeck warns that giving "must not endanger the cash flow of a corporation." That, in any event, is

unlikely. German corporate donations pale beside the con-

tributions of individuals or

regional foundations who pro-vided the bulk of the DM9bn of

ned for tax deduction allowances last year.

Among the biggest recipients of donations are local sports clubs. Indeed, some would not exist but for the sponsorship they receive. The beer company Karlsberg, for instance, gives DM450,000 to a football club in Kaiserslautern, while Moninger, another brewery. Moninger, another brewery, provides a sports club in Karls-ruhe with DM400,000 annually. Hoechst sponsors a volleyball club and a hockey team in Environment is another popular cause. A foundation set up by two banks in the Krefeld, in southern Germany, has as its

sole aim combatting industrial pollution and sponsoring research into more environment-friendly industrial tech-While several corporations give money directly on their own initiative or after being approached for funds, many channel their donations through foundations set up often by the company's original foundations.

One of the better-known is the Alfried Krupp von Bohlen und Halbach Foundation, which has more DM500m in assets (in nominal value).

Since its founding in 1887, the Krupp Foundation set as its aim "to promote the public interest and welfare of all residents of the city of Essen without any limitations." The company has built housing, hospitals, schools and recreation facilities in Essen and continues to finance local cul-tural, educational and sports events. Curiously, the foundation's charter said nothing about co-operating with the

city's authorities, something which persists to this day.

According to the AFGS's Mr Niemeyer: "Companies and foundations often do not want to deal with local governments because they are afraid of becoming dependent on the authorities or that bureaucrats would waste their money." After more than 100 years, industry evidently still has lit-tle trust in local government.

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Brian and Diane Hanson were prepared to queue in the rain all night to buy their first house. Such is the need for good quality, low cost housing in urban communities.



Barratt have long recog-

nised that many community projects are best served by the public and private sectors working in partnership.

The new Abbey Park Development in Halifax, where the Hansons now reside, is a case in point. The Government came up with a City Grant. Calderdale Council released the land, and Barratt are providing the expertise gained in a decade of urban renewal construction.

Viewed as part of community planning, housing often has the knock-on effect of attracting new amenities and industry, and creating new jobs and confidence in the community.

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